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The Business of Change : A Learning Circle

Steelworkers Humanity Fund
July 1998

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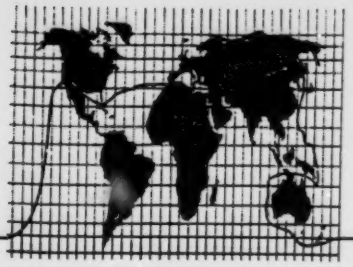

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THE BUSINESS OF CHANGE: A LEARNING CIRCLE

Project Report submitted to the John Holmes Fund, Canadian Centre for Foreign Policy Development

Steelworkers Humanity Fund
July 1998

The Business of Change: A Learning Circle
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Steelworkers Humanity Fund

This is a report of a project designed to support a "learning circle" of unions and NGOs to consider a range of models and approaches to labelling or product certification systems and corporate codes of conduct in the promotion of fair trade, sustainable development and core labour rights. In particular, Rugmark and the establishment of Rugmark Canada were primary areas of concern of the project. The over 20 participanting organisations in the three meetings held under this project, included UNICEF Canada, Canadian Labour Congress, Oxfam, Fair TradeMark Canada and Labour Behind the Label Coalition/Maquila Solidarity Network. The report includes notes from the three meetings held under this project, agenda documents produced by the staff of Steelworkers Humanity Fund dealing with, for instance, the debate over rugmark, and research papers on various topics relating to labelling, such as child labour. Some of the case studies presented at the meetings include Rugmark, the apparel industry partnership agreement, the Wear Fair Charter, the Forest Stewardship Council, The report does not conclude with a set of policy recommendations, but identifies issue-areas regarding this topic as well as advances discussion on criteria and information needed for evaluating labels and certification systems. These issues include the role of NGOs and human rights groups, the relationship between labelling systems and government responsibility, the requirements of effective monitoring, the financing of codes and labelling systems, the impact of labels/codes on workers and civil society, and the problem of uncoordinated labels and codes.

Steelworkers Humanity Fund, July 1998

The Business of Change: A Learning Circle

Project report submitted to the John Holmes Fund,
Canadian Centre for Foreign Policy Development

Contents

Project Report

Appendix I: Meeting notes

- Notes on the Meeting of November 7, 1997, Toronto
- Notes on the Meeting of February 9, 1998, Ottawa
- Notes on the Meeting of March 30-31, 1998, Toronto

Appendix II: Agenda documents prepared by staff

- "The Business of Change: Criteria for Evaluating Labels," October 1997
- "The Business of Change: Information Required for Evaluating Labels," October 1997
- "The Business of Change: List of Labels," October 1997
- "The Debate over Rugmark," February 1998

Appendix III: Research papers

- Human Rights Advocacy and Research Foundation, India [Devarajan Geetha], "Eradication of Poverty—Eradication of Child Labour: Need for a Comprehensive Strategy; Irrelevance / Inadequacy of Labelling—Rugmark strategy together with consumer boycotts of goods," March 1998

- Bob Jeffcott, "A Brief History of the Labour Behind the Label Coalition," February 1998

- Marcelo Levy, "The Forest Stewardship Council's Certification Program: Background Paper," February 1998

- Benedito dos Santos, "Labelling Child Labor products: A Study of Strategies Developed by the Abrinq Foundation," March 1998

- Bob Thomson, "Notes for a Learning Circle Presentation on Fair TradeMark Canada," [March 1998]

Steelworkers Humanity Fund, July 1998

"The Business of Change": Project Report

submitted to the John Holmes Fund, Canadian Centre for Foreign Policy Development

Project Description

The "Business of Change" project was designed to support a "learning circle" of unions and NGOs to consider a range of models and approaches to labelling or product certification systems and corporate codes of conduct in the promotion of fair trade, sustainable development and core labour rights. Attention was to be given in particular to an evaluation of the effectiveness of the Rugmark label for carpets.

The project was designed as a two-year process, because of the recommendation of the parliamentary sub-committee on child labour that Rugmark be established in Canada on a pilot basis for two years and then evaluated. The proposal to the John Holmes Fund for the first year's funding provided for an interim report at the end of the first year.

A report on income and expenditures for the first year of the project (September to March) is attached.

Process

Three meetings were held between November and March 1998 (detailed notes on the meetings are enclosed in Appendix I). Numbers of participants ranged from 14 to 27 representing 20 participating organizations— children's, church, human rights, international development, social investment and union.

The organizations which participated in one or more meetings were: Canadian Anti-Slavery Group; Canadian Council for International Cooperation; Canadian Labour Congress; Canadian Lawyers Association for International Human Rights; CAW Social Justice Fund; Fair TradeMark Canada; Forest Stewardship Council, Canadian National Initiative; Free the Children; Inter Pares; International Centre on Human Rights and Democratic Development; Labour Behind the Label Coalition / Maquila Solidarity Network; Oxfam; Pueblito; Social Investment Organization; Steelworkers Humanity Fund; Taskforce on the Churches and Corporate Responsibility; Ten Days for Global Justice; UNICEF Canada; and the United Church of Canada (Division of World Outreach).

Participants included both those actively engaged in the promotion of specific codes or labels, and others less directly involved or uncertain about the usefulness of these mechanisms.

- Forest Stewardship Council
- Labour Behind the Label Coalition and the WearFair Charter, Canada;
- Rugmark
- Fair TradeMark Canada / Transfair

In addition, information was provided to participants on a broader range of labels/codes through the circulation of papers prepared by the ILO and others. In particular, documentation was provided on:

- Ethical Trading Initiative, U.K.
- El Salvador Monitoring Group for implementation of The GAP's code
- Guatemala and Nicaragua - codes of ethics
- International Code of Practice for Canadian Business
- Social Accountability 8000 (Council on Economic Priorities, U.S.)

Reports on Rugmark and the process of establishing Rugmark Canada:

The funding for an office to license and market Rugmark in Canada was not in place until March 1998, so our interim report's evaluation of Rugmark does not yet reflect experience in Canada. However, we reviewed previous research, commissioned a paper, and scheduled two major discussions of Rugmark:

- Pharis Harvey of the International Labour Rights Fund (U.S.), a supporter of Rugmark initiatives in India, Nepal and Pakistan , made a presentation at the November meeting. (See the November minutes, pages 3-6, in Appendix I);
- Devarajan Geetha, a critic of Rugmark, made a presentation at the March meeting, based on the paper we commissioned. (See the March minutes, pages 7-12, in Appendix I.) Geetha works with the Human Rights Research and Advocacy Centre, which in turn supports the work of the Coalition Against Child Labour (India);
- Existing research on Rugmark was circulated to members of the Learning Circle, and staff prepared a bibliography and an analysis of a critique of Rugmark by Canadian journalist, John Stackhouse which had appeared in the *Globe and Mail* (Appendix II).

Discussion of roles for Canadian NGOs, unions, corporations, and governments in relation to the development of labels / codes:

Through discussion of case studies, we identified many of the issues for companies, NGOs and governments involved in addressing social issues through codes of conduct and labelling systems. We did not attempt to conclude this stage of the project with a set of recommendations. While there was considerable agreement within the group on some of the issues, there was not total consensus. Details of the discussion of criteria for evaluating codes are provided in the minutes: November, pages 10-13; February, pages 11-12; March, pages 3-4 and 12-17.

Major and recurring concerns/ issues were:

- Will promotion of codes and labels encourage people to think of these mechanisms as solutions to problems, and to neglect other critical avenues for poverty alleviation, protection of human rights and promotion of sustainable development? Or do codes and labels function as "signal flares" which engage consumers and companies in effective responses to problems in limited areas, and at the same time illuminate and encourage action on the underlying causes of denial of labour rights or child labour? What educational resources are required, and who will provide them, so that consumers and companies move beyond a "clean hands" approach to labels, and engage more fully in the issues as citizens?

- Will market-based approaches reinforce attitudes that governments can't do anything in the face of capital mobility, and that the only realm we have for action is as consumers? What is or could be the relationship between codes / labelling systems and government responsibility? Is it reasonable to hope that codes can or will "provoke the state rather than replace the state"? Are there ways in which governments could provide incentives and penalties to encourage the development of codes and the use of labels?

- What are the requirements of effective monitoring, so that codes of conduct and labelling systems are not only make claims which consumers and the public can trust to be credible, but also contribute to the empowerment of workers and other organizations of civil society? What is the role of professional auditing firms on the one hand, and human rights groups and other NGOs on the other? What is the role of unions in relation to codes and labelling systems, e.g. what is their role in monitoring?; might unions in some cases be displaced by monitoring organizations?

- What priority do we give to the involvement in the development of codes (both standard-development and monitoring systems) of civil society organizations from both South and North? (The Forest Stewardship Council was acknowledged to provide an important model for North-South relations in the development of its label.)

- How do we encourage the development of codes and labels that are effective because they address issues specific to certain sectors of the economy or countries, without ending up with a confusing proliferation? What will be the impact on Canada of the more developed code initiatives in the United Kingdom, Europe and the U.S. ? Will there be a "spillover" of advertising of codes and labels which do not suit the Canadian context or meet our criteria? Could we develop an all-encompassing framework— an "all-mark"? Should we seek the use of a single set of basic principles, e.g. the ILO core labour rights?

- How should codes and labelling systems be financed? Should preference be given to labelling systems which generate market-based contributions to development (as in Rugmark and Fair TradeMark)? What is the market for labels on products if the label

involves a premium paid ultimately by the consumer— for what products will people pay extra? What is the experience with environmental and organic labels? What kind of financial support is needed to develop codes and fair trade labelling systems—should governments be expected to contribute?

- What is the relation of the labelling system to the dominant economy; does it / should it support an alternative system? (e.g. fair trade labels provide support to cooperatives, and the Forest Stewardship Council supports an alternative way of managing forests).

Preparation of a report on key issues with respect to codes of conduct and social labelling systems:

The Learning Circle agreed that staff for the project would prepare a report on issues with respect to codes and labels, without attempting to represent any consensus position of the Learning Circle. Following the final meeting of the project in March 1998, there were developments which indicated that governmental / corporate/ NGO / union agreement may be reached to establish a national task force on sweatshop and child labour, with a major component of its work being the consideration of the role of codes of conduct and labels in the production of retail goods.

Because of this development, our report has been written with the needs of such a task force in mind. Our report, "Review of Codes of Conduct and Labels Relevant for a Proposed Canadian Task Force on Sweatshop and Child Labour," is enclosed. To increase the possibility that it might be of ongoing use to a task force and to others, we went to considerable effort to produce not only the body of the report, but also the code documents, in electronic form. We envisage that we might be asked to repackage the report in binders, so that sections of the report can be updated, and information on new developments added.

The Learning Circle also agreed that in the second year of the project, the group would work together on educational projects with respect to labels and codes, and on the development of a broader forum (including the private sector and government) for discussion. If a national task force is established, one possibility is that the Learning Circle will function as a reference group for civil society participants.

APPENDIX I: "The Business of Change" Project Report

Meeting notes:

- Notes on the Meeting of November 7, 1997, Toronto
- Notes on the Meeting of February 9, 1998, Ottawa
- Notes on the Meeting of March 30-31, 1998, Toronto

THE BUSINESS OF CHANGE LEARNING CIRCLE

Notes on the Meeting of November 7, 1997, Toronto

Present: CAW Social Justice Fund, Ken Luckhardt; Canadian Council for International Cooperation, Gauri Sreenivasan; Canadian Labour Congress, Steve Benedict; Canadian Lawyers Association for International Human Rights (CLAIHR), Veena Verma; Fair TradeMark Canada, Bob Thomson; Free the Children, Jean-François Laberge & Tanya Roberts Davis; Labour Behind the Label Coalition , Bob Jeffcott; Oxfam, Tina Conlon; Pueblito, Dave Purdy; Rugmark Foundation - USA, and International Labor Rights Fund (ILRF), Pharis Harvey; Social Investment Organization, Bob Walker; Steelworkers Humanity Fund , Gerry Barr & Moira Hutchinson; Taskforce on the Churches and Corporate Responsibility (TCCR), James Sullivan; Ten Days for Global Justice, Dennis Howlett

Regrets: Bridgehead Trading, Howard Esbin; Canadian Anti Slavery Group, Kathleen Ruff; Inter Pares, Peter Gillespie; UNICEF Canada, Cathy Guthrie

Chair: Gerry Barr; **Notes / staff**: Moira Hutchinson

REVIEW OF OBJECTIVES

The objectives of the 3-part project (Rugmark Canada office, learning circle, and education project) were developed in the meeting of April 15. A request for funding was submitted to the John Holmes Fund for the Learning Circle (background document 1). The terms of the funding require that we produce concrete policy options for government, business, unions and NGOs. We envisage a two-year process, and have funding for the first year, at which time we will produce an interim report.

An application for funding for Rugmark Canada has been submitted to the Child Labour Challenge Fund, and a decision will be made shortly. A separate meeting of those supporting the establishment of Rugmark Canada followed the conclusion of the Learning Circle meeting.

A lead agency for the education project has not yet been identified. There is a possible source of funding in CIDA. If any member of the Learning Circle is interested, speak to Gerry or Moira. The education project should probably be timed to begin after the Learning Circle and Rugmark Canada are well under way.

INTRODUCTION OF PARTICIPANTS

- Bob Jeffcott works with the Labour Behind the Label Coalition (LBLC) and the Maquila Solidarity Network. The LBLC, a network of unions and NGOs, has developed the WearFair Charter and campaign which lobbies retailers to improve labour conditions in the garment industry.

- Bob Thomson works with Fair TradeMark Canada, the Canadian affiliate of Fairtrade Labelling Organization International. Fair TradeMark Canada is the lead member of the Rugmark Canada coalition which is working to establish a Rugmark Canada office.
- James Sullivan, a staff person with TCCR, is Vice-Chair of the International Board of the Forest Stewardship Council (FSC) and Chair of the FSC Canadian Initiative. He has also participated in discussions with the Canadian Standards Association and the International Organization for Standardization (ISO).
- Jean-François Laberge leads Free the Children - Ottawa. Free the Children has done much of the promotional and educational work of Rugmark in Canada to date.
- Tanya Roberts Davis is an activist with Free the Children in Toronto.
- Tina Conlon works with Oxfam on Canadian programs. Oxfam is currently involved in discussions of an international code of conduct on food security.
- Bob Walker is Executive Director of the Social Investment Organization which encourages the use of investment tools to encourage corporate social responsibility, and through that work monitors codes of conduct and labels.
- Veena Verma is an associate of the CLAIHR, which cooperated in the publication by ICCHRDD of Craig Forcese's research on Canadian corporate codes of conduct. The second volume of Craig's study will be published this month. CLAIHR is also developing a project on labour rights, focusing on export processing zones.
- Dennis Howlett reported that Ten Days for Global Justice, a coalition of Canadian churches, is promoting fair trade mechanisms, with a focus this year on Fair TradeMark Canada. In the second year, it may also promote Rugmark and other approaches. The program reaches 150 local groups and 800-1000 local congregations, and will also have considerable media coverage.
- Pharis Harvey, through the ILRF, provides support to Rugmark. He is also a member of the US Apparel Industry Partnership, working on a code of conduct and monitoring system. The ILRF recently filed a complaint under the terms of new US legislation which defines section 307 of the Trade Act of 1930 (concerning "convict labor or/and forced labor or/and indentured labor under penal sanctions") as including products made with "forced or indentured child labor". The request is for the barring of all hand-knotted carpets from India, Nepal and Pakistan unless there is independent certification that the carpet was not made with prohibited child labour.
- Ken Luckhardt of the CAW Social Justice Fund reported that the Fund supports Fair TradeMark, the Maquila Solidarity Network and the Labour Behind the Label Coalition. It has been active in the Nike campaign in relation to Indonesia, and is beginning work on the issue of labour conditions behind flower exports from Columbia.
- Gauri Sreenivasan reported that the CCIC is interested in monitoring policy work of its members in relation to its "In Common" program, and as well, can contribute its experience with the process of developing a "learning circle" on micro credit.
- Dave Purdy is a Board member with Pueblito. Pueblito works with Latin American NGOs on children's issues and children's rights, and is becoming more advocacy based in its Canadian programming.
- Steve Benedict, Director of International Affairs, reported that the CLC, in response to pressure from the rank and file, is coordinating a campaign in early December of local labour councils and provincial federations of labour on child and sweatshop labour. As well, it is publishing an

educational booklet on child labour. The international union organization, the ICFTU, has been active in cooperation with the international trade secretariats in negotiations regarding labour conditions and child labour in the textiles, food, warehousing and diamond sectors. The ICFTU's current strategy is to focus on products which have intensive production in a geographic area, and which are therefore more easily monitored, e.g. diamond polishing in Northern India and flowers in Columbia.
- Gerry Barr is the Executive Director of the Steelworkers Humanity fund. The SHF is the lead agency for the Learning Circle.
- Moira Hutchinson does project work on labour rights and development assistance for the Steelworkers' Humanity Fund, and will provide staff support to the Learning Circle.

CASE STUDY: RUGMARK

Pharis Harvey reviewed developments in the Rugmark program. The following notes are not minutes, but an attempt to summarize key points in his presentation and the discussion.

Background:
- The program took 10 years to develop, with carpets sold in Europe only in the last 2 years, and very recently in the US. In the US, there has been considerable industry hostility, but broad awareness among consumers because of a 3-year programme of education through the Child Labour Coalition. However, awareness is not as great in the affluent population that can buy hand-knotted carpets.
- India, Nepal, Germany, the Netherlands and the US have formed Rugmark International. A program has begun recently in Pakistan, with a retired official of the government of Pakistan returning from the US to run the program. Success seems possible as the program now has the support of all the political parties.
- The programs vary because of the different modes of carpet production in each country. In India, production is small-scale (1 to 10 looms) in villages, with only a few large factories, so it is easier for carpet production to shift to other areas. In Nepal, production is concentrated in the Kathmandu Valley, in larger establishments, easier to monitor. In Pakistan, only some of the production takes place under contract, so the exporter doesn't know where the carpet was produced. The industry says that 75% of carpets are sold on the open market; it is probably closer to 25%. The approach, therefore, is to establish child labour-free villages rather than looms.

Rehabilitation

India: The rehabilitation side of the program has been improved since Rugmark began in India. Funding for Rugmark - sponsored rehabilitation projects is raised through the 1% levy on imports, so in the first year there was very little funding. However, the lack of provision for children removed from looms in India was less than opponents of Rugmark claimed, because of the 200 NGOs in the carpet belt working to help. In India there are now two schools and one rehabilitation centre supported by Rugmark, with a third school to open in September. The rehabilitation centre is for children with no home or suffering serious health problems. The

schools are for children who may need several years of special education to enable their integration into regular schools. There is also a program of education about the carpet industry for parents from the scheduled caste and tribal peoples in Bihar state. Reference was also made to a school in Rajasthan established with money raised by Free the Children. The school was established there in response to some shifting of carpet production to more remote areas.

Nepal: Rugmark in Nepal has been able to learn from the experience in India, and benefits as well from the support of the Nepalese government. Rugmark was able to establish a rehabilitation / schooling system (with the help of UNICEF and the AAFLI) right from the beginning. There are two schools and a rehabilitation centre; a "graduate" vocational training centre is being developed. Production is mostly for Germany. There are not such intractable bonding problems as there are in India (although there is some bonded labour). For some children, however, jobs in carpet factories seem to be a "way station" on the way from their villages into brothels in Calcutta and Bombay. The extent of industry support was initially high, with 70% of the carpet production represented by licensee applicants, but a smaller percentage (35-40%) are actually producing carpets under license. Also, industry payment of fees is a problem.

Pakistan: There is a new, government-related child care foundation with which Rugmark will work if it develops real programs.

There was discussion of the issue of loss of family income: how does Rugmark compare with the system established for garment factories in Bangladesh? Pharis clarified that in Bangladesh, there is a "phase out" program, with a stipend which does not fully compensate for loss of income, but provides for schooling and some food assistance. In India, few children earn enough to help their families, but provide only for their own bare survival.

Code / Criteria

The criteria are that carpets should not be produced by children under 14 years unless they are working for their parents and going to school; and that the legal minimum wage must be paid to all workers. In applying the criteria there may be difficult issues. For example, in Pakistan where children may work with their parents and the whole family is bonded, do the criteria apply?

Process / internal controls

Code implementation requires adaptation to different local circumstances. For example, in Pakistan, it may be applied at the village rather than factory or loom level.

The inspectorate system is run by the Rugmark Foundation in each country. In India there are 16 inspectors and in Nepal, 5. Carpet exporters submit a list of looms and export statistics for the last two years; these should be consistent with each other. A third of the exporter's looms are then inspected. If there is no child labour, the exporter is accepted as a licensee, and is required to

submit purchase orders to the Foundation for inspection. In India, there had been 23,000 loom inspections as of September 1, 1997 and about 18,000 looms are in the Rugmark program; therefore all have been visited at least once. About 700,000 carpets have been labelled. Inspectors, in pairs which change daily, receive their orders each morning. The lack of advance notice reduces the possibility of a warning to an inspection site. An empty loom is considered a loom vacated by a child.

The inspectors also file reports with the rehabilitation side of the program concerning children found involved in carpet production. As of September, 1,000 children from 600 looms had been identified. Of these, 80% were local, not bonded labourers.

To guard against false labelling, every carpet is tracked in terms of where it was made, who exported it, the purchase order, etc. There have been no reports of falsely labelled carpets.

Competing labels

The Kaleen label is required for every carpet from India, with a .25% non-voluntary fee which is to be used for educational programs. The program makes no commitment to end child labour and there is no verification program.

Other countries

China is the largest importer of carpets to the US (and to Canada as well?). Many are made in Tibet and Xinjiang. It is possible that the Nepalese could establish an inspectorate with selected Chinese exporters producing in Tibet.

Discussion / Evaluation

1. Focused vs. comprehensive labels

Do we need to work for fewer but broader labels so as to reduce consumer confusion? Reference was made to a new knitwear label in Tamil Nadu relating to child labour. There are various other labels and codes being announced. There is sometimes confusion about what labels represent. For example, there is sometimes confusion of Fair TradeMark with organic labelling. On the other hand, applying a label to one product and showing that it can have positive results may be the best strategy for raising consumer awareness and support for a broader labelling program.

2. Labels in relation to poverty alleviation

How can we evaluate labels in relation to strategies for poverty alleviation more broadly? Is information available about the ability of the labelling programs to integrate children into other livelihoods? Is there a difference in this regard between the coffee labelling program, with its emphasis on a just mode of production, and a program which emphasizes the absence of child

labour?

The Rugmark program is too young to be able to draw conclusions based on following the results for the children affected over the longer term. In Nepal, the second phase of the program will establish vocational training programs. In Pakistan, because of the nature of the carpet industry there, Rugmark would like to be able to provide training for small entrepreneurs in marketing and other skills, to enable them to sell in the broader market. This question of longer-term employment prospects needs to be part of the agenda of groups that support Rugmark.

3. Labels and corporate marketing

Is there a danger that companies will adopt "no child labour" as a trendy marketing strategy, just as "low fat" is often a marketing strategy unrelated to whether food is healthy. Will it be easier for companies to label products that way than with a "fair trade" label?

4. Links between labelling / code interventions and other initiatives

It would be a mistake to see an approach such as Rugmark as being broad enough to respond to the whole child employment issue. It has functioned to raise the alarm so that, for example, the experience of working with the Rugmark concept has been useful in raising the issue of child labour criteria for World Bank loans. Rugmark functions as a "signal flare".

5. Definitions of exploited child labour

At one extreme, industry may try to limit the definition to situations where there is a contract for bonded labour. At the other extreme, all child labour can be defined as being "forced" if it is in a situation where the government doesn't enforce minimum wages or where children don't enjoy the protections of being defined as employees.

6. Labels / codes and support for producers

Are some labelling / code systems more likely to be on the side of the producers than others? For example, if independent certification systems are in the hands of corporate auditing firms like Ernest and Young, instead of NGOs, how does this affect their usefulness to producers?

Also, we need to look at whether there could be greater and creative overlap between the producer groups involved in fair trade labelling programs, and the producers that are partners of Canadian NGOs in other projects and programs. This applies, for example, both to Fair TradeMark and to Rugmark.

CASE STUDY: APPAREL INDUSTRY PARTNERSHIP AGREEMENT

Paris Harvey presented an overview of the process leading to the interim "no sweat" agreement of April 1997.

Background

In 1996, President Clinton called a meeting of representatives from the footwear and apparel industry; and labour, NGOs and consumer groups in response to growing concern about sweatshops in the US (with inadequate inspection systems) and abroad (following media attention generated by the work of Charles Kernaghan and the National Labor Committee in relation to Honduras). Industry participants were those who market their company names, have contractors around the world,, and fear the link of their names with bad practices. In September 1996, a "partnership" was established to develop proposals for action. It has been meeting every 2 to 3 weeks since and is made up of corporations (now numbering 8), 2 trade unions, a consumer group, ICCR (church based corporate responsibility group), and 3 human rights organizations, including the International Labor Rights Fund.

The announcement in April 1997 included the principles to govern a workplace code of conduct and independent external monitors, and a commitment to form an association. The process since has focused on questions such as the governance of the association, procedures for independent monitoring, funding, and whether the agreement should result in a label for footwear and apparel meeting the requisite conditions.

The industry participants are: Liz Claiborne, Nike, Phillips-Van Heusen, Reebok, L.L. Bean, and Tweeds. Notable non-participants include The GAP, which managed to get a good name for itself out of its agreement to independent monitoring of one factory; and Levi Strauss, which pioneered the concept of taking responsibility for sourcing contracts but insists on self-certification.

Governance

Governance issues include the issue of weighted voting. A possible approach is to require a majority vote in each of the industry, union and NGO sectors for important issues such as code changes and changes in governance, and possibly also for expulsion of members; and on less important issues to require a majority vote, but with at least one vote from each of the sectors.

Monitoring

The principles of monitoring involve the issue of the relation between company monitors and external monitors, relations of these with the workers, and the consultative relations of each with local labour, human rights, religious and other groups.

- What level of consultation is expected and how can secure communication be ensured between workers and monitors? If the external monitor is a company such as Ernest & Young, can it be effective or does it have serious limitations in gaining the confidence of workers?
- What would constitute full disclosure of a monitor's report, and what is legitimately regarded as

being subject to principles of commercial confidentiality?
- Who pays the monitor: the company or the association? If the association simply certifies acceptable monitors, and then the company contracts directly with the monitor for a report, there may be concern as to who has paid for what. But if the company pays the association, and the association pays the monitor, it would be a nightmare for the association to oversee the activities of monitors in 30 or 40 countries. The solution may be to insist on transparency of contracts between company and association, to be reported to the association.
- What standards should apply for determining a list of monitors that companies can use — should it exclude monitors that have other commercial relations with the firm? (This would effectively rule out companies such as Ernest & Young as monitors.)

Code or label

The companies do not want the agreement to lead to a label, believing that a label functions as a target. The media is more interested in uprooting hypocrisy than in finding evil! But consumers want something that makes it easy for them at the point of sale.

Discussion / evaluation

1. Products /processes covered by certification.

One principle is that the agreement must provide certification of all of a company's product line. Certification includes textiles used in production, but does not include buttons or thread, as it is not possible (or so expensive as to be impractical) to determine the direct or indirect chain of production. Nor does it include the picking of the cotton.

2. Role of unions

How would unions be involved in monitoring? For example, a union involved in an organizing drive wouldn't get a monitoring contract. But if a union exists, the monitor must work with the union as well as other organizations in in identifying the problem. Would this put the union in a position of dependence on other organizations?

3. Certification process

The experience of the Forest Stewardship Council suggests that a lot of effort must go into the structure, function and service delivery of the certifiers. Independence is the key feature to protect. As well, in order to achieve the goal of effective monitoring,the scope of the monitoring must remain practical. For example, some have criticized the FSC because it doesn't include monitoring for use of chlorinated pulp but focuses only on the forest practices. However, it would have difficulty (at this time) broadening its scope and remaining effective.

4. Relation of label to international trade rules

Is it possible that the label might be subject to challenge under international trade rules of the WTO? The proposed "no sweat" label involves standards developed in one country and applied to another. As well, President Clinton's closeness to the process might provoke a challenge. Under the WTO's Agreement on Technical Barriers to Trade (TBT), voluntary labelling schemes appear to be covered by an annex — the code of good practice for applying standards. However, there are different opinions regarding the legal basis of voluntary schemes.

The Forest Stewardship Council has a global set of principles, with standards written in each country. A certification process could be challenged, but it would have to result from a Canadian taking Canada to the WTO.

In the case of the "no sweat" agreement, how might WTO rules affect it? As long as it can be argued that the "no sweat" agreement is not trade restrictive but functions as an incentive for a small part of the market and does not differentiate among countries, it is probably not (at present) subject to challenge. But on the other hand, there is reference in the WTO's TBT and code of good practice to the International Organization for Standardization (ISO), which produces performance standards. Is there a danger that future ISO preformance standards on workplace practices (which are being contemplated) could replace ILO standards?

5. Role of monitoring in the creation of "democratic space"

Will local NGOs have significant input into the process? What kind of consultation process is ensured? If the monitors are hired by the companies, there will be issues of trust for workers and NGOs. The commitment in the principles of the agreement to freedom of association and collective bargaining is reassuring. For example, if a good monitoring process is established which leads to the return of workers who have been fired unjustly, the process will help ensure the "democratic space" needed to create a union, which in turn will strengthen the monitoring process for the long term.

6. Sanctions for violations of the label / certification.

The process of invoking sanctions has yet to be negotiated. The timeline for removal of a label or certificate because of a violation is important. If it is too long, consumers will feel their trust has been violated because in the mean time, they will have bought the product of unfair labour practices.On the other hand, the "clean hands" of consumers may be less important than a process that allows sufficient time for a company to show that it can meet the conditions. Depending on the amount of consumer support for the label / certification process, it may be preferable to try to keep companies in the program rather than expelling them too quickly.

7. Can a program (such as the Apparel Industry Agreement) in which the association / organization certifies monitors rather than directly certifying companies be effective?

The experience of the Forest Stewardship Council (FSC) is relevant. The FSC is not a certifier, but it accredits certifiers which are independent companies. Once accredited by the FSC, a certifier can conduct audits anywhere in the world, and award an FSC endorsed certificate. The accreditation process focuses on the certifier's qualifications and process for monitoring in relation to FSC principles and related national and local forest management standards. The accreditation team undertakes unannounced annual monitoring of certifiers. The audit includes a desk audit and field audits of sites which have been certified. In effect, the FSC is auditing the auditor. Anyone can appeal the decisions of the certifier or the accrediter, and the appeal procedures follow ISO rules. The certifier could be a union or NGO. It could also be a company like Ernst & Young, but there are clear rules about the separation of certification functions from other commercial business. So far five certifiers have been accredited; two not -for-profit and three for-profit organizations.

A Certification Monitoring Network has been established by a number of organizations to track and provide information about certification systems and the claims they make in advertisements. The Network was established because of concerns about some claims. For example, as certifiers have begun to move into management system certification (as distinct from product quality certification), certificates are being used to claim standards which are not actually assured by the certificate. [The Network is supported by The Center for International Environmental Law, Washington, DC; Consumers International, London; Earth Island Institute, San Francisco, Environmental Investigation Agency, London; Hellenic Institute of Environmental Management, Athens; Inter-Church Committee on Ecology (a unit of TCCR), Toronto; Natural Resources Defence Council, San Franciso; and WWF International, Gland.]

CRITERIA AND INFORMATION NEEDED FOR EVALUATING LABELS AND CERTIFICATION SYSTEMS

There was further general discussion of criteria. Draft criteria had been circulated in advance, as well as a check-list of the information needed about labels / codes to make evaluation possible. The chair explained that the objective was to begin the process of creating a "template" for describing and evaluating each label or code that the learning circle includes in its agenda. This will be a continuing process, as new issues will be raised as we study different labels / codes. The process will provide a good base for our interim report on the project (to the John Holmes Fund at the end of March) and our final report a year later.

1. Does the system work with a certain market: e.g. TNCs or worker-owned cooperatives? [and how would this translate into criteria?]

2. Does the system create another problem by solving one?

3. Does the system change the way the market functions, or is it a "boutique" system, affecting only a small percentage of the market? While a label might affect only 1% of the market if standards are too demanding, it might have a gravitational effect ("will we distort trade?"!) if it

affects 20%.

4. How do we get at assumptions about whether labelling itself is a useful intervention?

Gauri spoke about the experience of the CCIC with learning circles, and suggested that the process should help us test assumptions about why we are engaged in the circle. Also, before we can discuss criteria, and whether certain labels are successful or not, we need to have discussion of assumptions about what they are trying to achieve. For example, labelling programs may have only minimal objectives of stopping certain activities, e.g. child labour; they may aim at providing individuals (e.g. children) with better opportunities for education and employment; or they may aim at helping families or communities. At some point in the process, we need to bring in the "devil's advocate" to encourage discussion of the pros and cons of intervention through labelling.

Responses:
a) One response was that the objectives of the learning circle were discussed to some extent in the earlier meeting which established the circle. The more difficult of Gauri's questions concerns how we get at assumptions about what we are trying to achieve through labels. Would setting aside time for a special discussion of our assumptions about labels "in general" be the best approach? Or will we get at this question through our process of examining and evaluating particular labels, and then encouraging discussion and revision of criteria flowing from these specific cases? We believe we have at least a few "devil's advocates" among the members of the learning circle. And the draft criteria include a number of different possibilities (assumptions) about what we might be trying to achieve through labels. Will we get at the question of assumptions through the process of discussing these draft criteria, adding to or discarding some of them, and identifying the differences among us about which are important? The criteria are not primarily for the purpose of picking the "best" labels (although they could be used that way), but also for asking the more general questions about what labels accomplish.

b) Another response was that the question about assumptions is in part a question of <u>scope</u>. What is the scope of what we are investigating? But it should not be assumed that the more general the scope of labels, the better or more defensible they are. There is not a moral scale with "tries to avoid negative consequences" at one end, and "tries to bring about global revolution" at the other. Perhaps the approach to evaluating intervention through labelling is through the concept of <u>linkage</u>. A label may have a very specific target, and it is not a negative thing that it can't do everything. But it should be evaluated in terms of its potential for linkage to other related development initiatives.

On the theme of <u>scope and linkage</u> there were several further comments:
- How can labels / codes contribute to militancy -- for example, to encouraging locals of unions to become active? This is what unions are about and can measure. Is there a possibililty that a monitoring system may make workers dependent on a monitor, rather than organizing themselves? If the scope of a label / code system is limited, we need to make sure that there is

linkage, and that the linkages are not undermined.
- There is a strategic tension in Canada in the garment industry between organizing homeworkers into unions, and lobbying consumers — with codes and labels as possible tools — to press corporations to take responsibility for working conditions. In some cases, organizing is not viable, but in other cases, organizing may be undermined.
- FIFA [the soccer ball agreement] has not delivered all that was hoped for in terms of chldren, but it has to be seen in relation to the rest of the agenda.

5. How do we evaluate label / code criteria?

- Should we be content with labels that specifiy minimum conditions? What are the implications for North - South relations of this strategy?
- How does the label relate to the vision of the world you want to create? Some labels certify the status quo, while others are engaged in the "business of change".

6. How are labels / codes used by corporations?

- Some are developed by companies and industry associations, employ self-certification, and are used as a marketing tool.
- Some are developed by a non-industry association as "model" codes, but the association may not be involved in the negotiation over how companies use it.
- Some are negotiated between industry and critics.

Examples:
- The International Code of Ethics for Canadian Business (developed by the Human Rights Centre at the University of Ottawa with a group of companies) was encouraged, if not endorsed, by Lloyd Axworthy, but apparently opposed by Tom d'Aquino of the BCNI. There may be differing perceptions among companies about whether it could backfire.
- The FIFA soccer ball agreement, negotiated bwetween FIFA and the unions caused a furor in the industry because industry wasn't consulted. The soccer ball industry subsequently co-signed a Partnership Agreement with UNICEF and the ILO which [contrary to the description provided in Document 7, "List of Labels"] undermines truly independent monitoring.
- Certification may become, in some cases, an instrument of commercial competition, e.g. Starbucks vs. Second Cup.

Everywhere a successful labelling system has been developed, industry associations have created alternatives. The experience of the Forest Stewardship Council is that it is important not to spend time attacking the industry initiative, but to keep working on one's own program.

WORK PLAN FOR THE LEARNING CIRCLE

It was suggested that for the next meeting, staff attempt to write a statement of principles, capturing the "politics" of th e discussion. Others suggested that it might be premature to try to

agree on principles. Moira agreed that she would try to summarize the discussion, perhaps in terms of the themes of scope and linkage.

The question of whether we need a different process to get at underlying assumptions about the objectives of labelling schemes was left unresolved. Gauri provided Moira with a copy of documents describing the process used by the CCIC for its learning circle on micro-enterprise; some possibilities may emerge from review of that material.

It is hoped that participation in the Learning Circle will be as consistent as possible, as changes in representation make it more difficult to build on work already done. However, full notes will be written to facilitate the participation of people who were not able to attend the first meeting.

Identification of outcomes - suggestions (but no consensus tested):

- get to the point when we might agree on some joint campaigns in relation to key labels
- identify some joint work with US groups / unions
- engage the labour movement and the collective bargaining process / language in relation to labelling objectives
- develop our criteria for evaluation so that they can function as a real tool for anlysis
- draw on our collective experience so that it informs and supports Rugmark in Canada
- work on our understanding of the concept of "mutual development pacts" through our review of labelling programs
- in meeting the requirements of the John Holmes Fund for policy-relevant outcomes, consider having a meeting with MPs, or participating in a legislative sub-committee to engage Ottawa more widely at the policy level; play a coordinating role in submissions to government on the subject of labels / codes
- make sure that a youth perspective is clearly reflected

Dates for the next meetings:

Monday, February 9
Monday, March 30 (interim report due at the end of March)

February 9 agenda (tentative):

Discussion of assumptions?
Update and further analysis of Rugmark
Case studies:

- Fair TradeMark Canada: participant from Mexico?
- Forest Stewardship Council (and comparisons with Canadian Standards Association and International Organization for Standarization)
- WearFair Charter (or March 30)

March 30 agenda (tentative):

Update and further analysis of Rugmark

Case studies:

- WearFair Charter (or Februrary 9)
- Labels for primarily southern markets: e.g. Abrinq in Brazil, or Prabartna in Bangladesh (an artisinal project in Dahka which is popularly acknowledged as a fair-trading system)
- Collective bargaining of labels / codes
- Rugmark: participant from India?

Other cases for February or March meetings, or second year of project, or interim updates

- International Code of Ethics for Canadian Business
- ILO "country code"
- Ken will provide members with information about a campaign and meeting (December 12) concerning the production conditions associated with flowers exported from Columbia. The meeting is being organized by ICCHRLA.
- James will provide information about the organic certification movement, which in developing countries addresses issues that overlap with the issues addressed by some other labels, e.g. flower campaign, coffee, etc.

Southern participation:

The budget for the Learning Circle will provide for two, perhaps three southern participants. It was agreed that we bring someone to participate in the discussion of the Fair TradeMark in February. In March, we might bring someone to present the Rugmark case from a southern perspective (either an activist / child; or someone not identified with Rugmark). Alternatively, or as well, we could bring someone who could report on Abrinq in Brazil. Pueblito suggested Benedito de Santos, who worked with street children and is currently studying in the U.S. (and therefore less expensive to bring). Members are asked to consider bringing other southern partners who have experience with or positions on the labelling and code interventions.

Budget:

The contribution of the members of the Learning Circle to the budget has been increased by $4,000 because of the requirement of the John Holmes Fund that there be a 2:1 match. If members (or partners they might bring to the circle) have travelling costs that are not covered through government funding, these could be included in our budget (with receipts). Other contributions to make up the $4,000 deficit would be welcome.

A "Global March on Child Labour" is being organized from January to at least May 1998. Information will be mailed to members.

The meeting adjourned, and a meeting of those supporting the establishment of the Rugmark office in Canada was convened.

"THE BUSINESS OF CHANGE" LEARNING CIRCLE

Notes on the Meeting of February 9, 1998, Ottawa

Present:: CAW Social Justice Fund, Ken Luckhardt; Canadian Council for International Cooperation, Rieky Stuart; Canadian Labour Congress, Steve Benedict; Canadian Lawyers Association for International Human Rights (CLAIHR),Ella Heyder; Fair TradeMark Canada, Bob Thomson; Forest Stewardship Council, Canadian National Initiative, Marcelo Levy; Free the Children, Tanya Roberts Davis; Inter Pares, Peter Gillespie; Labour Behind the Label Coalition , Bob Jeffcott; Oxfam, Tina Conlon; Social Investment Organization, Bob Walker; Steelworkers Humanity Fund , Gerry Barr & Moira Hutchinson; Ten Days for Global Justice, Dennis Howlett

Regrets / Absent: Bridgehead Trading; Canadian Anti Slavery Group, Kathleen Ruff; Free the Children, Jean-François Laberge; Pueblito, Catherine Angus; UNICEF Canada, Cathy Guthrie; Taskforce on the Churches and Corporate Responsibility; United Church of Canada, Bruce Gregerson

Chair: Gerry Barr; **Notes / staff**: Moira Hutchinson

MEMBER REPORTS

Members reported on the following activities relating to labels and codes.
- Tanya Roberts Davis: FTC involvement in the Global March Against Child Labour, January to June, 1998 (April and May in Canada)
- Rieky Stuart: the CCIC's "In Common" campaign to increase the public visibility of development issues, including children's rights and corporate social responsibility
- Bob Walker: SIO research support to the B.C. Federation of Labour for possible shareholder proposals regarding codes/labels relating to sweatshop and child labour
- Ken Luckhardt: CAW financial support for Canadian participation in a January meeting of the El Salvador Independent Monitoring Group, the Rugmark Canada office, and the Global March Against Child Labour; looking into the Columbia cut flower campaign [details discussed later in the meeting]
- Bob Thomson: update on the Fair TradeMark campaign for fairly traded coffee; response to the campaign is a top priority of the Coffee Association of Canada; a large importer and Van Houte's are showing interest; some smaller community enterprises have been established; and CIDA has agreed to provide some funding for start-up costs
- Dennis Howlett: update on Ten Days support for the coffee campaign through newspaper ads; special programming on Vision TV (available as a video); activities of 180 ecumenical Ten Days groups as well as numerous congregations / parishes; consideration of a consumer campaign next year on apparel workers' rights
- Gerry Barr: the government's Child Labour Challenge Fund is likely to support the first year's operations of a Rugmark office, although final confirmation has not been received.

OBJECTIVES AND AGENDA REVIEW

Rieky Stuart asked why the membership of the Learning Circle does not include many "regular" development NGOs. It was explained that the invitation to participate had gone to those known to have a particular interest in the issues relating to labeling. Not all who agreed to participate have been able to identify a representative. It was agreed to consider, later in the meeting, the possibility of expanding the group.

Bob Thomson spoke about the lack of coordination in the development of codes of conduct and labeling systems in Canada, and even signs of a growing element of competition for consulting contracts in the "business ethics" community. Should we be considering establishing the Canadian equivalent of an Ethical Trading Initiative (ETI)? The ETI is a coalition in the United Kingdom of companies, NGOs, unions, churches and "fair traders" which is trying to develop and promote standards, and will train independent monitors who can bridge the gap between management consultants and human rights advocates. A response to this suggestion was also deferred.

CASE STUDY: THE LABOUR BEHIND THE LABOUR COALITION AND THE WEARFAIR CHARTER

The following documents were circulated prior to the meeting:

- Bob Jeffcott, "A Brief History of the Labour Behind the Label Coalition"
- Bob Jeffcott and Lynda Yanz, "El Salvador Conference Debates Independent Monitoring"
- "Wear Fair Charter for Fair Treatment of Garment Workers"
- Women Working Worldwide, "Company Codes of Conduct: What do they mean for workers in the garment and sportswear industries?"
-

As well, it was noted that documents pertaining to other approaches involving garment manufacturers and retailers had been circulated.

Britain:

- Ethical Trading Initiative, "Everything you Need to Know..." The Ethical Trading Organizations involved include: corporations, unions (the Trades Union Congress and the ICFTU and the International Trade Secretariats); and NGOs (Anti-Slavery International, CAFOD, Catholic Institute of International Relations, Christian Aid, Council on Economic Priorities, Fairtrade Foundation, Oxfam, Save the Children Fund, Women Working Worldwide, and others.
- ICFTU, "Trade unions around the world welcome UK's Ethical Trading Initiative"
- Excerpts from *Open Trading*, a publication of the Monitoring and Verification Working Group [the core group of NGOs which sponsored the Ethical Trading Initiative]

US:

- SA 8000 (Social Accountability 8000): clipping from *Business Week*; and description of SA 8000 [copied with permission]. The SA 8000 advisory board includes Neil Kearney,

of the International Textile, Garment & Leather Workers Federation; Jack Sheinkman, formerly executive director of the ACTWU; Oded Grajew, of Abrinq (a code in Brazil); Sir Geoffrey Chandler of Amnesty International (UK).

- Information regarding the US Apparel Industry Partnership Agreement was circulated prior to the November meeting.

Bob Jeffcott spoke about the Labour Behind the Label Coalition, and about his participation in January in a meeting in El Salvador of the independent monitoring groups from El Salvador and Honduras. (These notes omit some of the details of the presentation where these are available in the background papers.)

The Wear Fair Charter

The Coalition was formed following the GAP campaign, focusing more on domestic than overseas labour conditions, but including both. It began work with the strategy of getting Canadian retailers to sign the charter and then developing a monitoring system and a Wear Fair label. However, the Coalition has become aware of the need for more public awareness to create the necessary political climate. As well, it has concluded that a code of conduct and monitoring system should be considered alongside government policy and legislative approaches to making retailers and manufacturers more accountable. It is therefore calling for a national, multi-sector task force to consider a range of option, including codes, labels and independent monitoring.

Independent Monitoring in El Salvador

The GAP campaign represents a breakthrough, but it is not clear that it is a model that can be applied everywhere and there are still unresolved issues about the future. The accomplishments were:

- conditions improved in the Mandarin factory
- the agreement with GAP and the Salvadoran contractor mandated truly independent local human rights groups to monitor working conditions;
- the objective of facilitating the return to work of fired workers has been partly realized;
- groups in the South and North were able to work together to challenge sourcing mobility, i.e. to keep GAP in El Salvador when it was threatening to respond to the problems by leaving.

The limitations of the GAP campaign were:

- the GAP has not agreed to independent monitoring at any other site, yet the agreement allowed it to resist pressure to participate in the Apparel Industry Partnership Agreement. (But some activists are questioning the National Labor Committee's strategy in this connection.) ;
- the agreement does not address the "logic" of the industry which leads to pressure for overtime, increased production and a "flexible" work force. Retailers run the system

because they determine the price of production and turn-around time; contractors do the "dirty work";

- some confusion of roles of the union and the monitoring group, with the monitoring group acting as a conciliator between workers and management; and with a (larger) company union having been established alongside the independent union. (On the other hand, the independent union was not weakened; it was weak and divided anyway.)

An unexpected result is that the local monitoring group is focussing less on monitoring the implementation of the GAP code than it is on compliance with local labour legislation. The code is somewhat vague, and local labour legislation is not bad, just not enforced.

Discussion / questions

- Was there effective North-South collaboration?

  The National Labor Committee was working with an experienced coalition in El Salvador. (In Nicaragua there was not a strong local group; in Honduras it is not clear how it will work.)

- Could the campaign be replicated outside of Central America, e.g. in the Philippines or Bangladesh?

  One response was "not a chance".

- Would it be possible to replicate a system of NGO monitoring at very many sites and in very many countries, given the amount of NGO energy and time required (both south and north)?

- Can a campaign at the contractor level be effective if the desired outcomes require an increase in costs at that level?

  It depends on the structure of the industry, and whether the extra costs can be passed through to another point in the production chain, e.g. the retailer, and perhaps the consumer. (Bob Thomson noted that the work of the fair trade organizations in some countries creates conditions locally of positive competition, so that farmers are able to demand better prices from middlemen, increasing the price beyond the fair trade producers.)

- Did the GAP campaign encourage thinking that the struggle is against particular companies?

  We should evaluate the GAP campaign in terms of its success in supporting general structural improvements in that maquila / country, i.e. did it put strategic pressure on the state? Efforts are being made to do so, but the outcome is uncertain.

- Did the GAP campaign undermine the role of unions?

  The victory in the Phillips-Van Heusen factory in Guatemala was a relatively rare case of an effective north-south campaign resulting in unionization. (The US/(Guatemala Labour Education Project worked with local and international unions on the campaign.) It involved different dynamics than the GAP campaign, because PVH owned the plant directly. A sub-contractor was not involved, making it easier to organize.

Codes / Monitoring in other Central American Countries

In Honduras, a monitoring group has been established for the Kimi Factory, following a

campaign focused on contracting companies such as Macy and JC Penny. The monitoring team includes a women's group, an important advance.

There are continuing North-South tensions. Groups in Nicaragua and Guatemala are discussing the possibility of establishing independent monitoring groups. However, in Nicaragua, North-South cooperation was called into question when workers were fired. Their firing followed extensive publicity there about the protectionist message in some US media coverage of the activities the US National Labor Committee in Nicaragua..

On February 1, the Minister of Labour of Nicaragua, at an assembly of 500 women maquila workers, agreed to a Code of Ethics for the maquila, and on the following day, the owners of the transnational companies in the zone agreed (voluntarily) to comply, probably fearing boycott action if they didn't. The code had been developed by women in Nicaragua, who organized themselves at the level of Central America to form the Network in Solidarity with Women Workers in the Maquilas. They had collected 30,000 signatures from the public nationally, and also received support from solidarity groups elsewhere. The emphasis of the code is on women's issues, e.g. the rights of pregnant women, but also includes freedom of association and collective bargaining.

Issues of implementation remain, i.e. how unions and other organizations of civil society might be involved in monitoring. There are historical tensions between women's groups and unions regarding questions such as the priority to be given to building women's leadership compared with the priority given to maintaining a permanent organization of workers.

Discussion / questions:
- In Bangladesh, everything is imported; Bangladeshis contribute their labour. In Asia, workers are competing with workers from other Asian countries for contracts from multinationals such as Reebok. For example, when India raised its minimum wage, it was cautioned by Nike about pricing itself out of the market.
- The cost of labour could be doubled without significantly increasing the cost of the product. (In contrast, Bob Thomson reported that in coffee production, the farmer currently gets about 10% of the retail price. A fair price, taking into account costs at other points in the chain might be 12-15%.) .
- A sector-wide approach to the development of codes of conduct would be most effective to allow labour costs to increase.
- We need to learn more about the impact of the Multi-Fibre Agreement and its future.

Canadian Cases - Woolworth's

Woolworth's provides an interesting example of a US firm with sourcing contracts from sweatshops in Canada as well as offshore. There has been a restructuring of the industry in Canada, with increased reliance on small contractors and homeworkers. These workers are covered by the Employment Standards Act, but it is not enforced. The Homeworkers Association

functions as a local of UNITE. It is not (yet) a bargaining unit, nor is it (yet) revenue generating other than in a token way, but instead relies on grants.

Limited access to information makes it difficult to trace Canadian labels back to contractors and homeworkers, but research indicates that the Northern Reflections label owned by Woolworths represents clothing produced at piece rates that are among the worst in Canada.

The strategy with Woolworth's has been to press for implementation of the Employment Standards Act, but Woolworth's cut a contract rather than working with the contractor for improvement. Fortunately, UNITE and the Homeworkers have been able to work with the contractor suspended by Woolworths and to persuade another retailer to continue placing orders.

Discussion / Questions

- Woolworth's "Northern" label garments made in Canada and currently sold in Wisconsin and other US locations may not meet the criteria being established through the US Apparel Industry Partnership Agreement and other codes.
- To what extent are Asian manufacturers locating in Canada, and what are the factors encouraging this? Access to US markets? The immigrant investor program? To what extent are garment factories actively recruiting workers from Asia? (It was suggested that this is the case in Winnipeg).
- What are the variations among provinces in protection for homeworkers, e.g. B.C. compared to Ontario, and how does this affect our approach in Canada to the role of codes, unions, etc.? (B.C. apparently requires homeworkers to be registered, but none have done so.)
- In campaigning on sweatshop labour issues, we need to take seriously the concern of some developing countries that such campaigns are simply an excuse for protectionism in the North. Campaign literature may appeal to protectionist sentiment, perhaps unintentionally, e.g. a recent CLC ad in the December / January issue of *Briarpatch* [replaced in the March issue]. We also need to consider our position on industrial homework. Some campaigns talk about the elimination of industrial homework (Bob Jeffcott does not agree with this position).

Petition for a Federal Taskforce on Sweatshop Abuses

The Labour Behind the Label Coalition and several other organizations are calling on the federal government to convene a multi-sector task force to discuss "how to guarantee respect for basic worker and human rights in the clothing and footwear industries." The petition, which currently has about 10,000 signatures, will likely be presented to the government in late March.

The negotiation of an industry-wide or multi-company code of conduct and independent monitoring system is one option, but it is envisaged that the task force would also consider legislative options. Legislative possibilities include better access to information, which would make it easier to monitor compliance with employment standards in Canada and abroad; changes to provincial legislation so that workers could make anonymous complaints; making retailers jointly accountable with sub-contractors for violations of standards; requiring companies seeking

access to government-sponsored trade and investment programs to meet labour standards criteria.

One of the constraints is that some types of Canadian legislative response might be ruled out by international trade and investment agreements, making codes an attractive option (as long as they are not codes initiated by government).

Alongside the strategy of calling for a federal taskforce, options involving codes / labels are being explored. For example, in a pilot project, the Homeworkers' Association is exploring the development of a label to be used on goods produced by homeworkers who are employed through a union hiring hall (like a construction workers' hiring hall).

As well, one of the pressure points for organizing on the sweatshop issue is through campaigning for procurement policies (e.g. for purchasing by universities, municipalities). Campaigns for procurement policies may imply or depend on the existence of monitored supplier criteria (i.e. codes).

Impact of labels / codes on workers and civil society (discussion/ questions)

- What parallels might there be between women workers in the garment sector and women who have been down-sized and are self-employed in other sectors? Can unions organize people who are being out-sourced, or are other approaches needed? Response: many homeworkers in the garment industry move back and forth between the home and small factories, a flexible form of organization may be possible.
- In considering the implications for workers of codes and labels, are there parallels with the South African anti-apartheid campaign, where workers recognized they would be hurt in the short or medium-term by sanctions, but called for sanctions anyway?
- We need to develop dynamic rather than technocratic strategies, to create the space for North-South alliances and for workers to organize. For example, on the question of monitoring systems for codes and labels, many activists fear a professional, global system in the hands of "expert" auditors, i.e. companies like Ernst & Young. This kind of monitoring system is less likely to engage people or strengthen the role of civil society.
- How can civil society groups encourage an approach to codes and labels that engages both government and companies, i.e. which encourages both enforcement by government and by companies?
- The cultural impact of a campaign is more important than the specifics of a code. In El Salvador, government and industry concern about their image as a result of code campaigns have provided further openings for unions to organize for improvements. In Canada, can we also use codes to raise the issues, rather than being co-opted into an agreement that puts the issues (prematurely) to rest? The key is to focus on the fact that in both Canada and the south, governments are not enforcing their laws. Codes and labels could play a role in focussing consumer pressure on this problem.
- The "corporate responsibility" model is a low-bar response to a vague consumer concern. Systems for assessing, certifying and monitoring are an improvement, but flawed if they are

primarily a North to South mechanism rather than a mobilization strategy for the civil society groups in both contexts.
- Will the development in the U.S. of labels, in the absence of any meaningful codes / labels in Canada mean that Canadian NGOs have to consider a "buy US" campaign? Are US codes and labels appropriate in the Canadian context, where there is a different tradition of government responsibility and unionization?

CASE STUDY: THE FOREST STEWARDSHIP COUNCIL

Papers circulated:

- Forest Stewardship Council, "Principles and Criteria for Forest Stewardship." In addition to environmental impact, the principles include indigenous peoples' rights (#3), and community relations and workers' rights (#4).

- Marcelo Levy, "The Forest Stewardship Council's Certification Program: Background Paper," (circulated at the meeting).

- Martin von Mirbach, "Demanding Good Wood," *Alternatives Journal*, 23 (3) Summer /97. The concluding section, p. 19 ff, poses "Difficult Questions," including the impact of certification systems on developing countries.

Marcelo Levy, Coordinator for the Forest Stewardship Council, Canadian National Initiative, spoke about the developments leading to the founding of the FSC, its objectives and structure. (These notes omit details provided in his background paper.)

Origins, Objectives

Boycotts in the forestry sector drove the interest in certification processes. Companies, in response to the threat of boycotts, claimed they were practising sustainable forestry, and an independent process for assessing their claims was needed. The groups supporting the establishment of the FSC included people concerned about eco-forestry, and some small companies. Other important players were certifiers themselves, concerned about the possible proliferation of codes and labels. They were concerned from a marketing standpoint about "label overload", and the fact that some companies were being held to higher standards than others. They also realized that a process of auditing and verifying performance against a given standard, to comply with trade rules, has to be voluntary. If it is a government policy or requirement, it may violate trade agreements.

The FSC's goal is environmentally and socially responsible management of the world's forests, while recognizing the need of enterprises to be economically viable. For the certification process to be credible, it must be transparent and accountable for its claims, and accessible to people in the community or adjacent to forests affected.

Certification is not seen as a panacea. It is recognized that the main problem, world-wide, is deforestation which has little to do with trade, but is related to poverty, land displacement, the need for firewood, etc. The FSC is relatively unequipped to deal with these problems; it has little impact on wood products that are not traded. On the other hand, it may sometimes help by mobilizing people around forest issues in general, and may help to create markets for niche goods.

Canadian producers were initially not responsive to the program, but as buyer guidelines are being developed in Europe, they are facing deadlines for getting their forests certified. For example, a UK buyer dropped MacMillan Bloedel. The FSC is now getting calls asking how to get FSC certification.

The FSC system is currently focused on forest management rather than on life cycle analysis, although it is developing an interim policy on pulp and paper and non-timber products.

Programs

The FSC's two major programs are:
1) Accreditation: the evaluation and monitoring of the performance of certifiers
2) Standard setting through national/regional initiatives program: The ten general principles of the FSC provide the framework for standards which are to be written at the country / regional level. Thus, the gap between international forestry and local standards is bridged, and accountability to people in the area where companies operate is enhanced.

Marcelo provided examples of the elaboration of principles through regional / national standard-setting. These will be circulated with the minutes. The examples provided relate to Principle #3, Indigenous People's Rights; Principle #4, Community Relations and Worker's Rights; Principle #6, Environmental Impact.

Some standards remain quite vague, others are detailed; some are descriptive and others prescriptive. Consistency in standards around the world is encouraged through meetings of representatives of the national / regional initiatives programs. An effort is made to find benchmarks, to ask "what kind of forest are we looking for? what kind of social relations are we looking for?".There is not always agreement, but the discussion and compromise is better than the imposition of standards from outside (e.g. the North).

Structure

National initiatives must be representative of the same interests (environmental, social and economic) as the international organization. They may, as in Sweden, for example, include naturalists, labour, aboriginal groups and companies.

The international organization, with headquarters in Mexico, is open to membership from

individuals as well as organizations, but it is essentially an association of organizations. Governments may not be members, although some provide financial support. Power rests in a General Assembly, but the governance structure reflects the need for a balance of interests. It has 3 voting chambers—social, economic and environmental—of equal weight. As well, there are provisions to make sure that northern and southern interests are balanced.

The Canadian initiative is not yet fully developed (it has not had member elections of a Board) and has therefore not received endorsement as a working group. It will have 4 chambers: aboriginal, social, environmental and economic. (The development of the Canadian initiative is described in the background paper.)

The major opposition to the FSC in Canada comes from the Canadian Pulp and Paper Association, which hired the Canadian Standards Association to develop an approach which it hoped the International Organization for Standardization (ISO) would approve. This was refused by the ISO.

Discussion / questions:

- About 78 certificates have been issued, covering 7 million hectares. There are 300 members in the international body, mostly organizations.

The FSC is not yet sustainable. The goal is to make the international organization self-sufficient through the generation of fees. It will be harder to achieve financial sustainability of the national initiatives. In Canada, one possibility is that Marcelo, as coordinator of the national initiative, may also undertake training to accredit certifiers, a function for which he (i.e the national office) would be paid.

- Efforts to harmonize standards will in some cases overlap national boundaries, e.g. cooperation is being sought between Canada, Russia, th eUS, Norway, Sweden and Finland for standards for the boreal forest.

- If a "driving force" could be identified, it might be the World Wildlife Fund, UK.
- There are five certifiers accredited to date: 2 from the UK, 2 from the US and 1 from the Netherlands. They need to have multi-disciplinary teams, and an extended network of partners in different parts of the world. NGOs or unions could be certifiers if they have the capacity.

- What is the role of labour? How do workers react to certification that may not involve them? Labour is represented in the national group in Sweden. In Canada, there is some labour participation at the regional groups, but the representational status of the participants is unclear.

- It is forests, not companies, that are certified. The label goes on a wood-product. If a company made claims that as a company, it is certified world wide, this would be challenged. However, a company can say that it is certified for its operations in specific locations. The CSA system, in

contrast, would provide a general company label.

- There is a process for challenging certificates and certifiers. There is public access to a certifier's report, anyone (including a company) can challenge a decision, and there are dispute resolution processes.

- Research and education to support the standards-development process is done by organizations within the FSC system as well as by regional and national initiatives. In Canada a lot of energy has been focused on a multi-stakeholder process that brings experts and non-experts to the table, so that the standards developed are owned by the stakeholders, not by technocrats.

LABELS AND CODES: EVALUATION

Discussion followed about what we have learned to date about the objectives and impact of labels and codes, what critieria we think should be used in evaluating them, and how we evaluate them. The following points were made:

- Globalization is undermining traditional ways of defending rights through government action, unions and so on. We are scrambling to find new means for defending rights, and labels and codes are among these. Their impact should not be measured only in terms of how effective a particular label or code is in its application in a specific situation. They should evaluated in terms of their cultural impacts on consumer awareness of the limitations of the market system.

- Some approaches - e.g. "fair trade" coffee systems, or the FSC's efforts to show that there is a better way to manage forests, don't simply challenge capitalists to be fair capitalists, but point the way to alternative trading systems within a market economy.

- Some approaches encourage a "clean hands" approach among consumers which is apolitical. Consumers are encouraged to think that buying a "child labour free" or "sweatshop labour free" label is enough in itself. The purchasing decision is not linked to education about other changes needed, and the actions that consumers, as responsible citizens, can take (e.g. increased funding for education and poverty reduction; opposition to government deregulation, etc.).

- How do we use label and code programs to re-regulate rather than letting companies use them to de-regulate?

- Are labels and codes primariiy applicable to factories rather than non-standard work places, such as home work and small sweatshops? What happens as more work is sub-contracted? [Our evaluation of Rugmark in relation to the differing production systems in India, Nepal and Pakistan is relevant here.]

- How do we deal with these issues without buying into an agenda of global governance? The

FSC appears to have local realities built into its structure and process, and should be looked at more closely as a model for other sectors. In the campaign against shrimp aquaculture, it may be that a label will be necessary to allow consumers to purchase "correctly produced" shrimp, rather than boycotting all shrimp production. But the experience so far is that there have been serious problems arising from the introduction of "criteria" by the North. The threat of a US ban on garments from Bangladesh represented protectionism masked as concern for child labourers. As a result, 40 -50,000 kids are missing—back in the factories, but hidden or on the streets. As well, the action undermined the local labour movement. If we are considering codes / labels in the garment sector, we need to understand their impact in the context of likely developments with the Multi-Fibre Agreement, and possible shifts in production from one country to another.

- Codes/ labels are not the optimal response in terms of what is needed, but may be the only response we can mount. In South Africa, codes weren't what was really needed, and they were also a northern initiative. But if the focus is kept on the point of production, rather than letting codes become consumer driven, they can play a positive role.

- The processes used in developing codes/ labels may involve "learning" which could eventually be institutionalized at the international level.

- We should distinguish between social responsiblity and social accountability. It is accountability to durable southern counterparts that is the measure of a useful code in the development context. Without such accountability, protectionism will be the Achilles heel or straw man.

- Business has been uncomfortable about codes, but is now responding to the public interest; we need to occupy the ground so that we can be sure they are used for mobilizing and organizing.

- Mobilizing and organizing can have very negative impact. The proposed Harkin legislation on child labour in Bangladesh mobilized people, but 50,000 children disappeared.

- Protectionism and other reactions of people to their situation often reflect the lack of transparency of the political framework. In work related to food securitty, the goal is, in part, to diminish the distance between producers and consumers, to offset the "commodification" of food. In some countries, people have been "commodified". If codes and labels are to play a helpful role in increasing transparency and understanding of the political framework, we need to invite those who are normally excluded into the process of code or rule-making.

- Codes are not really the question. The real question is how to make capital accountable. One way is to link ethical consumer campaigns with efforts to reinforce government's role; this is the strategy represented in the call for a federal task force on sweatshop labour.

- Codes / labels should focus on the point of production, on the voices of "durable" southern partners. But sometimes there are different voices (e.g. as in the case of Rugmark).

MARCH AGENDA & NEXT STEPS

A handout was circulated which outlined:

- a proposal for the March 30 agenda
- a suggestion for a future meeting on codes and collective bargaining
- the issue of whether we continue as a "learning circle" or whether we need to play a more proactive role in influencing developments in Canada
-

It was agreed:

- to expand the meeting to a day and a half: March 30, and March 31 to noon;
- to invite the following speakers: a southern participant in the Transfair / Fair TradeMark coffee labelling system; a representative of the Human Rights Advocacy and Research Foundation in India to speak about opposition to the Rubmark system; a representative of Abrinq in Brazil; and a speaker about efforts to develop a labeling system in response to the cut flower campaign in Columbia.
- to defer the question of "next steps" to the March meeting.

Tina Conlon mentioned work initiated by Oxfam and supported by the IDRC to establish fair trade in mango production. She will provide further information so that it can be considered in future agenda development.

There was discussion of whether to expand the groups represented in the "circle". Suggestions included a link with government (External Affairs, Industry Canada, CIDA) and ICHRDD. It was noted that some organizations that agreed to try to participate have been unable to do so to date (TCCR, UNICEF) and others (Development and Peace) are still considering the invitation. It was agreed to extend an invitation to ICHRDD.

"THE BUSINESS OF CHANGE" LEARNING CIRCLE

Notes on the Meeting of March 30-31, 1998, Toronto

Present: CAW Social Justice Fund, Ken Luckhardt; Canadian Council for International Cooperation, Tim Draimin; Canadian Labour Congress, Anna Nitoslawska; Canadian Lawyers Association for International Human Rights (CLAIHR), Sharmaine Hall, Veena Verma; Fair TradeMark Canada, Bob Thomson; Forest Stewardship Council, Canadian National Initiative, Marcelo Levy; Free the Children, Tanya Roberts Davis, Arnie Engel, Craig Kielburger; International Centre for Human Rights and Democratic Development, Diana Bronson; Labour Behind the Label Coalition , Bob Jeffcott; Oxfam, Tina Conlon; Pueblito, Catherine Angus; Social Investment Organization, Janice Louden, Bob Walker; Steelworkers Humanity Fund , Gerry Barr, Moira Hutchinson; Ten Days for Global Justice, Julie Graham, Dennis Howlett, David Reid; UNICEF Canada, Andrew Ignatieff; United Church of Canada, Bruce Gregerson

Guests: Devarajan Geetha, Human Rights Advocacy and Research Foundation, India; Cynthia Mellon, ILSA (Latin American Legal Services Association), Colombia; Gutberto Osori Oliver, Ucirir Cooperative, Mexico; Sara Teitelbaum, ASEED, Montreal; Daina Greene (translator)

Regrets or minutes only: Bridgehead Trading; Canadian Anti Slavery Group, Kathleen Ruff; Communications, Energy and Paperworkers Humanity Fund, Gary Cwitco; Free the Children, Jean-François Laberge; Inter Pares, Peter Gillespie; Taskforce on the Churches and Corporate Responsibility,

Chair: Gerry Barr; **Notes / staff**: Moira Hutchinson

INTRODUCTIONS, MEMBER REPORTS

Participants introduced themselves, and provided information on current activities. Several referred to their involvement in the Global March on Child Labour, with activities planned in Canada in May and June. We note here only information about organizations participating in the Learning Circle for the first time, and updates on label-related campaigns of participants.

- Sara Teitelbaum: ASEED is a student organization in Quebec currently supporting the campaign for "un juste café" (Fair TradeMark-labelled coffee) as well as campaigns for food security, urban transportation, and against university cutbacks.
- Dennis Howlett: Ten Day's campaign for the Fair TradeMark label has the attention of the coffee industry, and has tripled Bridgehead coffee sales since February.
- Bob Jeffcott: The campaign of Labour Behind the Label and the Maquila Solidarity Network in relation to Nike and Woolworth's will focus on April 18 on Footlocker which is owned by Woolworth's and sells Nike goods. LBL has requested a meeting with federal ministers (Foreign Affairs and Labour) regarding the petition for a taskforce on sweatshop abuses which would look at options such as codes, labels and government legislation.

- Bob Walker: The SIO is assisting the B.C. Federation of Labour with a shareholder campaign on sweatshop and child labour. Shareholder proposals are being discussed with five retail companies. These ask companies to support the petition for a multi-stakeholder national taskforce, and urge that any development of codes of conduct take place within a multi-stakeholder process.
- Arnie Engel, Craig Kielburger and Tanya Roberts Davis: Children in 20 countries are involved in Free the Children (FTC) and receive many requests for information about product labelling. Arnie has introduced Montreal retailers to the Rugmark label, and several are ready to participate. FTC (a member of the Rugmark Canada board) will be helping with education / promotion now that the Rugmark office has received start-up funding.
- Veena Verma: CLAIHR in collaboration with the ICHRDD published the second of two volumes by Craig Forcese on codes of conduct and strategies for "making human rights business as usual".
- Michael Ignatieff: UNICEF Canada continues to provide education on child labour and is involved with World Literacy Canada in a project in the centre of the rug belt in India.
- Diana Bronson: ICHRDD is currently considering follow-up to the joint study with CLAIHR on codes and other strategies for encouraging corporate social responsibility.
- Bruce Gregerson: Bruce is Secretary for Interfaith Relations and South Asia and Pacific partnerships for the United Church, and in that connection invited the Human Rights Advocacy and Research Foundation, a partner in India, to identify a participant for this meeting. The United Church will be engaged in study and action on themes of globalization and justice for children in the next year.

NEW DEVELOPMENTS IN LABELLING SYSTEMS AND CODES

Background documents circulated or available on request:
- Briefing notes by the Ethical Trading Initiative on an EU-US Symposium on Codes of Conduct and International Labour Standards
- International Code of Practice for Canadian Business: latest draft and signatories
- "Codes of Ethics: Nicaragua and Guatemala"
- Jill Murray, "Corporate Codes of Conduct and Labour Standards," Working Paper, ILO
- Christian Aid (UK), "A Sporting Chance: Tackling child labour in India's sports goods industry," 1997.
- U.S. Department of Labor, Bureau of International Labor Affairs, *By the Sweat & Toil of Children (Volume IV): Consumer Labels and Child Labor*, 1997 [available free by contacting the department's International Child Labor Program at (202) 208-4843; fax (202) 219-4923, or checking on the Internet: <http://www.dol.gov/dol/ilab/public/media/reports/childnew.htm>.

It was agreed to begin the meeting with general discussion of developments regarding labels and codes before proceeding with the case studies.

Moira Hutchinson opened the discussion with a brief review of recent initiatives in the US, Britain and Canada. She suggested we need to consider the problems which may arise because of the variety of uncoordinated labels and codes. What impact will the more fully developed US and

British initiatives have for Canadian campaigns / initiatives relating to Canadian companies?

The following updates and perspectives on recent on label / code developments were offered by participants:

- The standards suggested for codes and labels range from "best practice" to utopian; and the monitoring systems range from corporate self-monitoring to independent monitoring (with definitions of independence varying). How can we define a balance between these extremes? There is potential for public confusion unless we find a way to share information, discuss differences and coordinate efforts. There are divisions in the Canadian business community about whether or not codes and labels should be encouraged, but growing business interest is reflected in the increased number of individuals and groups offering "social auditing" workshops and services to the business community. Our "learning circle" represents the broadest spectrum of discussion to date in Canada and therefore provides a starting place for coordination, but wider discussion is needed—as in the Ethical Trading Initiative in the UK.

- There are interesting developments taking place outside of the US and Britain. The Asia Monitor Resource Centre reports interest in codes among Japanese garment sector sub-contractors (major multinationals in themselves). The work of a Central American women's network led to the adoption of a code by the Nicaraguan government [see the background documents circulated prior to the meeting]. In Europe, the Clean Clothes campaign is working on the development of a tripartite foundation (trade unions, NGOs and companies) for independent monitoring of codes. In the Netherlands a working group is developing this model for application in the garment sector.

- In Canada, the response of coffee companies and the coffee association to a labelling campaign (the Fair TradeMark campaign) has been to provide examples of "good practices" and anonymous do-goodism. Some of the coffee companies (and perhaps other Canadian companies) continue to believe that they can make claims about their purchasing practices without providing names of the sources, and without provision for independent monitoring of their claims.

- There are three types of codes: ethics codes, codes regarding the role of corporations in society, and codes or standards for alternative trading systems. Canadian companies are generally familiar only with the first and find themselves on alien ground in discussions of the second and third. For example, they have been responsive to the campaign by Transparency International about business ethics and corruption. And some business people understand the link between corruption and other issues of corporate social responsibility and human rights.

- The debate over labelling of bio-engineered foods has received relatively little attention in Canada compared to Europe. In the U.S. there is growing attention to how organic

standards are defined and communicated. What does this suggest regarding the potential for consumer interest in / demand for labels in Canada?

- Trade unions are increasingly monitoring and in some cases participating in the development of codes and labelling systems. Some trade secretariats (e.g. the textile workers, and the metal workers) are particularly active, and the ICFTU now has a staff person (Dwight Justice) assigned to this subject. The ICFTU has drafted a model code (available on the Internet at http://www.icftu.org). Unions are concerned about the implications of encouraging voluntary codes, and also about how independent monitoring will affect the role of unions and other workers' organizations, particularly in the South. One approach is that of the international trade secretariat for metal workers. It has developed model language regarding child and sweated labour in the hope that member unions will bargain it into contracts. The CAW is exploring this possibility.

- Conflict is developing as competing organizations seek allies who can endow a label with credibility. What gives a label credibility? Following the development of the Forest Stewardship Council label, the Canadian forest industry asked the Canadian Standards Association to develop a competing label, and to endeavour to have it approved as the ISO standard. Several environmental groups objected on the grounds of a poor public consultation process, and as a result the ISO has not agreed to allow the CSA / industry standard to employ the ISO label. Marketing research indicates that labelling claims of corporations and governments acting alone have little credibility. The FSC maintains its credibility by protecting its independence of both corporations and government.

- The European Fair Trade Association and European World Shops had a conference to discuss how they might put a label on items such as crafts. They are considering ways of accrediting importers (i.e. adherence to standards for importers) rather than products.

- The role of indigenous producers is being asserted. Gutbertho spoke about the difficulties of establishing "fair" trade in the context of the "free" trade agreement entered into by the Mexican government, forcing Mexicans to try to compete with the US and Canadian economies. While the Transfair / FairTradeMark organization has been helpful to his indigenous community, he hopes that indigenous people in Mexico, Canada and elsewhere will develop and control their own fair trade system. Bob Thomson added that fair trade organizations are not limited to the goal of giving consumers assurance that the goods they produce have been produced under fair conditions. They are not "labelling bureaucrats" but try to facilitate the direct relationships that will help coops expand their market.

THE CUT FLOWER CAMPAIGN, COLOMBIA: A CASE FOR A LABEL?

Background documents circulated:

- Cyndi Mellon, "Women and flowers: a toxic combination," *Americas Update*, March/April 1996
- ICFTU, "Say it with flowers," *Fighting for Workers' Human Rights in the Global Economy*

Cyndi Mellon of ILSE (Latin American Legal Services Association) was introduced by Ken Luckhardt (CAW). Ken was part of a Canadian team that visited Colombia recently to support groups working for the improvement of human rights. Cyndi's description of the Colombian cut flower industry and its impact on the environment, worker's health and human and labour rights is summarized in her article for the *Americas Update*. The following notes focus on the question of possible responses through labels, codes of conduct and other support.

Since 1991 a network of groups (church, academic, legal and labour) has been trying to respond to workers' requests for help. The possibility of fair trade labelling has been discussed with European groups, and an August 1996 meeting included representatives of the industry as well as European organizations. However, there are several obstacles to the development of a fair trade seal for Colombian flowers:
- The industry is closed, with no small co-operative producers (as there are in coffee production) as possible licensees. When workers try to establish their own plant they are frozen out.
- It is difficult to involve workers in discussions of strategy because they can't get time off for meetings.
- Organizers among workers have received threats.
- There are a few younger and environmentally concerned "green flower growers" but it is not clear whether they would be willing or able to challenge industry labour practices.

Feasibility studies undertaken by European fair trade organizations have taken a long time, and it appears these organizations may be re-thinking the feasibility of a labelling system. At the same time, a group in England (Christian Aid) is considering a "code of conduct" approach. A boycott has not been proposed; Colombian workers have not asked for a boycott.

What role might Canadians play? Sixty percent of cut flowers imported to Canada come from Colombia. Canada (unlike the US) does not compete with Colombia in cut flower production, so our response is not likely to be viewed as protectionist. Ken is identifying Canadian importers. Instead of, or as a precursor to a label, would pressure on importers for a code of conduct which would commit them to put pressure on the producers be effective?

In discussion, the following points were made:

- Child labour is not a problem in the industry, perhaps because of the complexity of the work, although social problems for families result from the working conditions. A journalist is responsible for some inaccurate information that has circulated in Europe and North America suggesting that child labour is present in the cut flower industry in Colombia. [Note: The reference to child labour also occurs in the ICFTU document, *Fighting for Workers' Human Rights in the Global Economy*.]

- The slowness of response of Europeans to the initial discussion of a label for cut flowers should be understood in the context of discussions about general directions for the international fair trade labelling movement. Led by the Swiss and Germans, the international organizations have been discussing labelling in relation to a number of products. The organizations' experience lies with small farmers rather than workers on plantations. However, they are showing an interest in working with plantations and other work settings where unions could be the vehicle of ensuring the distributional benefit of higher prices. But expansion is difficult when the fees from coffee licensing are barely sufficient for the work of monitoring in that sector.

-Where it can be shown that labour is forced, there are possibilities for exclusion of products under the Customs Tariff Act (in accordance with GATT rules). In the US, exclusion of un-labelled carpets is being suggested.

-As part of the discussion about whether labels or codes might be helpful strategies, organizers in Colombia need information to assess the context: e.g. statistics about Canadian imports as well as world trade in cut flowers. Another form of assistance would be to facilitate links between the Colombians and other flower producers in the south, e.g. in Ecuador, Brazil and Africa. (There has been contact with Ecuador, where the industry is still traditional, indigenous and community-based, and workers somewhat better paid. However, some Colombian money and supervisors are coming in.)

- CACTUS provides legal support to flower workers regarding medical issues, pay, etc. It works with a broad coalition including Catholic youth workers and parish-based priests and nuns. Organizing efforts are hampered by public perceptions that popular opposition is subversive and that displaced people (some of whom are flower workers) are guerilla.

- The industry is unlikely to improve its environmental practices out of self-interest. The industry is contaminating the land and water table, so that it won't be good for other agriculture, but it doesn't need good soil for greenhouse flower growing.

- From a market perspective, a label for flowers is similar to a label for coffee: a large number of people buy coffee and flowers frequently. Hand-knotted carpets are a once in a lifetime purchase by a small group of people. Different strategies may be needed to persuade people to pay extra for different types of fairly-produced products.

A SOUTHERN LABEL FOR A DOMESTIC MARKET: ABRINQ, BRAZIL

Background documents:
- Benedito dos Santos, "Labelling Child Labor Products: a Study of Strategies Developed by the Abrinq Foundation." [circulated at the meeting]
- "The Abrinq Labelling Initiative," in Janet Hilowitz, *Labelling Child Labour Products*, ILO.
- UNICEF, "Mobilizing Corporations to Eradicate Child Labour in Brazil: A Study of Strategies

Developed by the Abrinq Foundation for Children's Rights."

The chairperson reported that while a paper on Abrinq had been prepared, regrettably Benedito dos Santos would not be able to present it because of last-minute difficulties with his visa application to travel from the United States to Canada. Mr. Dos Santos is a professor at Goias State Catholic University in Brazil, and currently a doctoral student in anthropology at the University of California at Berkeley. He has worked extensively with the Abrinq Foundation in Brazil on issues involving child labour and street children, and was a consultant on UNICEF's study of Abrinq. He is known to Pueblito Canada for his work with the National Movement of Street Boys and Girls in Brazil, and the invitation to him was extended in cooperation with Pueblito.

An opportunity for discussion of Mr. dos Santos' paper will be provided at a future meeting.

A SOUTHERN LABEL FOR EXPORT MARKETS: RUGMARK, INDIA

Background documents:
- Human Rights Advocacy and Research Foundation, "Eradication of Poverty - Eradication of Child Labour: Need for a Comprehensive Strategy; Irrelevance / Inadequacy of Labelling - Rugmark strategy together with consumer boycott of goods" [circulated at the meeting]
- Campaign Against Child Labour, "Supreme Court Judgement on Child Labour: A Dossier," March 1997
- Campaign Against Child Labour, "CACL Demands," Public Hearing and 2nd National Convention of Child Labourers, 30, 31 March & 1st April 1997
- Steelworkers Humanity Fund, "The Debate Over Rugmark," February 1998 [reviewing and responding to the arguments against Rugmark advanced in an article by John Stackhouse].
- Lee Tucker, "Child Slaves in Modern India: The Bonded Labor Problem," *Human Rights Quarterly*, 19 (1997), 572-629

Devarajan Geetha is a lawyer practising in labour and public interest law. She is associated with the Human Rights Advocacy and Research Foundation which in turn provides support to the Campaign Against Child Labour (CACL), a coalition of organizations established in 1992. The United Church of Canada is a partner of the Human Rights Advocacy and Research Foundation, and arranged to bring Geetha to Canada in response to our interest in hearing the position of groups critical of Rugmark.

Geetha reviewed the statistics on child labour in India, which has the largest number of child labourers in the world. The estimate of the Commission on Labour Standards and International Trade of the Government of India is 77 million child workers. There are various views about the cause, but it is clearly not poverty alone. While distinctions between hazardous and non-hazardous work are made, the CACL's position is that any work which prevents children from attending school and having time to play is hazardous.

Geetha's paper provides census statistics on the age, rural-urban location, gender, and occupational classification of working children. Eighty percent are cultivators or agricultural labourers, and 20 percent are in manufacturing, services and other forms of work. The export sector (carpets, gems, leather, etc.) employs 3 to 5% of India's child labour force. Of these, only 0.8% work in factories. The carpet industry involves about 1% of child labourers.

The Indian constitution provides that children below the age of 14 cannot be employed in a factory or mine or other hazardous work. The wording thus permits child labour in other, non-hazardous industries, unless other constitutional rights of children to education and healthy development are given equal weight. Thus, the Child Labour Act of 1985 prohibits child labour under the age of 14 in certain occupations, but only regulates it in others without prescribing an age minimum. The CACL is seeking amendment of the Act to prohibit all child labour below the age of 14 and regulate it from ages 14-18.

The campaign against bonded labour in the carpet industry began in the north of India in 1980, with the Bonded Labour Liberation Front liberating thousands of children in the carpet and other industries. International media attention had an impact on the market first in Germany and then Europe, so that the export of carpets declined significantly after 1983. In 1990 a consumer awareness campaign was organized by the South Asian Coalition Against Child Servitude (SACCS), and Tom Harkin introduced the Child labour Deterrence Act of 1992 in the U.S. Senate. The proposed Harkin legislation was seen as a major threat which might seriously erode carpet exports. Development and human rights organizations working on the child labour issue realized that the destruction of the industry would also destroy the adult jobs needed to replace children. They came together with producer groups in a series of meetings that led to the establishment of the Rugmark Foundation in 1994.

Geetha listed several criticisms of Rugmark. These are reviewed in her paper, which draws on sources such as UNICEF Canada's study, among others. The criticisms fall into the following general areas [imposed by the note-taker],

- *effectiveness and scope of the inspection system*

  - In practice, the inspection system is unworkable because inspectors cannot visit looms regularly and manufacturers move out of the area in which Rugmark operates to other areas, or they go underground.
  - Even the Rugmark Foundation does not provide assurance that all carpets are child labour-free.
  - A major certification company, SGS, has said it is an impossible task to monitor so many small production sites scattered over a large area.
  - It is difficult to distinguish genuine family-based production from small commercial looms which operate with bonded child labour.

- *remediation and education programs*

  - The amount of money generated by the program for the benefit of children is minimal. Canadian imports are too small to generate a significant fund.
  - The system cannot generate enough income to serve the rehabilitation and educational needs of all of the children in the carpet sector needing help; for example there are only 250 children enrolled in the school compared to the million needing schooling.
  - There is insufficient attention paid to what becomes of children displaced from carpet manufacturing because of Rugmark.

- *size of the tool in relation to the size of the child labour problem*

  -The program does not address the needs of children who labour within the household; or in other phases of the carpet production cycle than weaving [although some effort is made to monitor other parts of the cycle].
  - Children in the carpet industry represent a small percentage of child labourers in India. UNICEF India estimates that the number of children working in the carpet industry is less than 1% of all child labourers in the country.
  -Rugmark is primarily a regulatory device rather than a program promoting development which would address the full range of issues affecting children.

- *effect on governmental action*

  - Rugmark operates for the purpose of promoting trade and capital, in the context of a global system which is forcing the opening of the national economy to global market forces while there is a corresponding reduction in the scope of the state to shape policies.

- *support for the label*

  - The program has not received support from the Indian government and some leading carpet exporters. Instead, they support the Kaleen label.
  - There is no local involvement of people.
  - Labels give consumers a choice among similar products, e.g. among brands of coffee. No two hand-knotted carpets are the same, so the consumer's choice will be made on the basis of other factors than the label.

Geetha also listed two arguments in favour of Rugmark:
- The program gives consumers the satisfaction of avoiding goods produced by child labour.
- Some help is provided to children through the rehabilitation and education programs.

The Campaign Against Child Labour held a public hearing in March 1997 to consider what should be done about child labour. Among the major recommendations (listed in Geetha's paper) are:

- the amendment of legislation to prohibit any child labour under age 14 and the implementation of a Supreme Court judgement that employer violating the law be fined, with the money put in a rehabilitation fund rehabilitation fund, or that the employer be required to provide employment for an adult in the family; and
- the provision of free, compulsory elementary education. It is education that will break down the caste system which supports the attitudes preventing action on child labour.

Discussion of the presentation followed. Among the participants in the learning circle are some who have been working to establish Rugmark Canada. They acknowledged the validity of some Geetha's criticisms of Rugmark in its start-up phase, but noted that most of these problems have now been addressed. The issue is whether, on balance, Rugmark is now a positive factor in addressing the issue of child labour. Rugmark supporters in Canada have gathered information from various sources in India, Nepal, Germany and elsewhere, and have found the balance essentially positive. However, this positive assessment involves a willingness to support Rugmark knowing that it is can contribute only a tiny piece to the solution of a huge and complex problem, and that resources for other contributions to the solution must be found as well.

Comments on some of the specific criticisms of Rugmark in Geetha's presentation and paper followed:

- *Rugmark governance, inspection process, and rehabilitation projects*:

- Geetha's paper (page 21) states that Rugmark has not yet appointed inspectors. This is incorrect; it has 15 teams of 2 inspectors each. Geetha acknowledged that her information was based on the situation in 1994.
- The paper (page 22) says that the only NGO on the Rugmark Board was the South Asia Coalition, and other NGOs were not allowed to participate. In fact, the Coalition represents hundreds of NGOs.
- Rugmark has been unfairly criticized by business people who want to undermine the system, e.g. with inaccurate representations of the inspection system. There are stories that children are removed from looms when inspectors arrive. But the inspection system requires that a loom without a worker be recorded as a non-compliant use of the loom.
- What is the credibility of the SGS certification company? If it is an ISO standard monitoring company, then its orientation is to the certification of manufacturing standards and techniques, not to social standards. It has been said that it would be possible to get ISO 9000 certification for a concrete life jacket! Another participant suggested that it is not likely that SGS cannot do a chain of custody certification, but that it questioned the economics of the investment required to do it.
- It is not the case that it is impossible to monitor standards and the use of a label from point of production to point of sale; this is being done with coffee in the Transfair/Fair TradeMark system.
- The fact that the Government of India is not involved in Rugmark may be a positive rather than a negative feature of Rugmark.
- The experience in Nepal with Rugmark is that there are clear benefits for children. Perhaps the children needing help in Nepal are easier to identify because the carpet production system is

factory-based and easier to monitor than in India.
- How could Rugmark develop more grass-roots connections, if it is true that these are lacking? Would such connections assist in improving the monitoring system, with cases being brought to the attention of inspectors? Geetha replied that this questions / approach does not fit with the way in which peoples' movements work or develop.

- *Northern market pressure and Indian governmental responsibility:*

- Is it the case, as Geetha implied, that Rugmark took the pressure off the Indian government for implementation of legislation and support for compulsory education which had mounted through the threatened Harkin boycott? Supporters of Rugmark say the opposite—that Rugmark has been an effective source of pressure, at least on state governmnts, to increase funding for education.
- There are cases where outside pressure related to consumer concern has increased the pressure on government rather than decreased it. For example, in Bangladesh, government and industry took action to address the issue of child labour in the garment sector, following the US government threats. (There is strong disagreement about whether the outcome of the response was positive or negative, but not disagreement about whether or not it increased pressure on the government.) Geetha replied that international pressure is acceptable as long as it doesn't take responsibility away from the state. But in the case of child labour in the export sector, the pressure affects only 5% of the children.
- One participant said that he has found that in Uttar Pradesh, Rugmark has produced heightened sensitivity to the issue of child labour. While education is clearly a solution, it is very difficult to get government action. Rather than focussing only on comprehensive solutions, we need to look at "step approaches" to get there. We have learned from Rugmark's shortcomings, and should now move ahead assertively.
- Consumers don't want to buy carpets made with child labour. They will boycott Indian carpets if there is no consumer choice provided.
- The fact that the carpet sector represents a small percentage of child labour does not mean it is unimportant. If we trash Rugmark, it encourages us to think negatively about options. Working with Rugmark helps us think strategically about how to address the problem of child labour in other sectors. On other hand, perhaps we do have to choose whether to spend our resources on market-based or other strategies. Resources are limited, and perhaps should be focussed on issues such as the impact of the proposed new ILO convention on child labour in India. There are fears that the focus of the new convention on "exploitative" child labour may result in the weakening of existing legislation on child labour.
- Is Rugmark a community-based or Northern-imposed alternative? There are different views. Rugmark started in India with the South Asia Coalition Against Child Slavery (SACCS) in partnership with Germany. But some would define the SACCS as an NGO, not a popular movement.
- The position of the SACCS appears to be that child labour is not a domestic problem only. The position of the CACL appears to be that child labour is a domestic problem. If it is a domestic problem, what are the ways, other than through something like Rugmark, that we can support domestic action? Geetha replied that for the CACL, child labour is a domestic problem, but that

it welcomes international pressure on the Indian government. For example, Canada should put pressure on India to ratify Article 32 of the UN Convention on the Rights of the Child (UNCHR). It could also provide resources to help NGOs, trade unions and others contribute to an alternative report to that of the Indian government for the UNCHR.
- But how can the Canadian government put pressure on the Indian government? Government sanctions are often ineffective. In the US, few of the more than 200 sanctions imposed on various countries since World War II have resulted in the US standards being met, and in most cases (e.g. Cuba) considerable damage has been done.
- Canadian children often work part-time, e.g. in stores, on the family farm. Should all child labour be opposed? Geetha replied that we should distinguish child labour and child work. The latter provides skills for the future, and doesn't force the child to give up all childhood and education.

- *Educational role of Rugmark:*

The "Business of Change" project was designed with three goals:
- a Rugmark office on a pilot basis for at least 2 years;
- a "learning circle" to assess Rugmark in Canada, and to consider the role of labelling systems and codes in addressing issues such as child labour;
- an educational project on child labour and the role of market-based solutions such as Rugmark and other labels / codes. This would support the work of the Rugmark office and at the same time draw on what is learned through the learning circle.

Now that the Rugmark office is to be established, we need to consider again how / whether to move ahead with the educational project. Some education will take place as part of the promotional activities of the Rugmark office and through the educational programs of some members of the learning circle. But if an NGO or union is interested, there may be funding available for general education on the role of codes of conduct and labels in relation to issues such as child labour. .

EVALUATION OF LABELS

Members reviewed the draft criteria for evaluation which were circulated prior to the first meeting of the learning circle. Moira suggested that in light of the case studies so far, it might be possible to answer the following questions:
- What is missing in the list of criteria?
- How can we measure labels in relation to these criteria?
- Which criteria should have priority in rating different labels or in deciding if labels are useful?
- Even if all the issues / problems raised by labels were addressed, would we agree labelling is a useful strategy?

Discussion followed:

We should give priority to:

- the impact of the label on government's role in enforcing labour standards and laws. For example, Bob Jeffcott reported previously on the role of a code of conduct monitoring groups in Central America, and how the code has encouraged greater pressure on government for enforcement of existing legislation. We should make sure that we provoke the state rather than replace the state.

- the role of the label / code in reinforcing or opening the space for unions so that workers themselves can organize for enforcement of labour standards.

- the role of the label / code in strengthening rather than displacing local groups. We have little impact on or control over the companies, so our focus should be on strengthening local groups. This may mean that we end up with codes / labels where our only role is to provide support to local groups so that they can monitor the monitors.

- North-South relations in the development of standards. For example, the Forest Stewardship Council provides a framework within which countries develop their own standards consistent with international criteria. Standard-development at the local level is empowering for local participants, leading to their engagement as well with national government. Nationally or regionally-based standard-setting also ensures that the label will not be subject to charges of constituting an unfair trade barrier under WTO rules.

- ensuring that consumers understand what labels represent in terms of processes of production and other specifications. We should give greater attention to the potential for confusion because of a proliferation of labels and codes, and work towards a single standard (an "all-mark"?).

- the development of standards based on internationally accepted criteria such as the UN human rights bill and covenants and ILO core labour conventions.

- the development of effective, independent monitoring systems. One model is that of the Forest Stewardship Council, which monitors the certifiers. Monitoring systems must also ensure security for workers interviewed by certifiers.

- the role of codes / labels in helping to change the mind-set of business and consumers, e.g. to understand that they have an interest in "sustainable" production, i.e. in integrating the social and environmental costs of production into the product cost; and to understand that better quality products and products that support health and well-being are a likely bonus.

Evaluation of the presuppositions of market-based approaches:

- Market-based approaches may put too much emphasis on the promotion of ethical consumption choices and not enough on the promotion of responsible citizenship. We too readily think of ourselves as consumers. It is important that education about labels and codes emphasize both.

  On the other hand, do labelling / consumer campaigns actually engage people primarily as consumers? The experience of the Labour Behind the Label Coalition is that the many people who support campaigns are not acting primarily as consumers but as citizens, and have engaged in letter writing, mall actions, advocacy with public institutions over issues of bulk buying and corporate sponsorship. The term "consumer action" doesn't adequately capture the extent to which people are engaged as citizens in finding ways to hold corporations accountable to society.

- Market-based approaches may reinforce attitudes that governments can't do anything in the face of capital mobility, and that the only realm we have for action is as consumers.

  On the other hand, consumer-based campaigns such as the coffee campaign provide a good entry point (better than the MAI or Tobin tax campaign) to understanding the politics of globalization, and campaigns such as the coffee campaign and others focussed on globalization can be linked together to build support for government action for the common good.

  Furthermore, when NGOs talk to business about the issues involved in codes, governments listen (as at the BCNI / ICHRDD conference on trade and labour rights), and they may, as a result, recognize areas in which voluntary codes are not sufficient.

  Finally, some governments are more vulnerable than others to corporate power and corporations shifting production in response to government efforts to protect labour and environmental standards. Consumer campaigns can help to strengthen the ability of the governments to stand up to corporations and protect labour through better minimum wages, etc.

Relation of the labelling system to the dominant economy:

- The fair trade labelling systems and the Forest Stewardship Council represent efforts to create or support an alternative system within the dominant economy. For example, the fair trade labels support workers and farmers cooperatives. The FSC supports an alternative way of managing forests. In contrast, Rugmark and the garment codes / labelling proposals do not suggest an alternative, but the enforcement of existing minimum standards. They try to protect and preserve rights within the dominant system, although they may point towards an alternative vision.

- What is the potential impact of labelling systems on cottage industries and indigenous production in countries such as India? The multinational companies will be able to live up to the standards, whereas small producers may not have the resources to participate in these systems.

Issues in monitoring:

- Concern about effective monitoring is sometimes focussed on assuring consumers that they can make "ethical" choices. On the other hand, the focus can equally be on structuring the monitoring function so that it strengthens the communities and workers trying to hold corporations accountable.

- Understanding of the importance of independent monitoring and reporting has increased so that people don't trust claims based on company-controlled systems. On the other hand, companies don't trust the objectivity of a critical group undertaking monitoring.

  One response is that companies and NGOs are jointly creating monitoring organizations. In other cases, NGO/human rights monitoring groups have been established. In others, professional firms are certified and monitored by a standard-setting organization. Issues include: whether the company pays the monitor directly; whether NGOs and local groups have a role when a professional firm is hired; access to corporate information by outside groups.

Scope of codes / labels:

- Some codes / labels are intended to be applicable to all industrial sectors (e.g. SA8000) while others are sector specific (e.g. Apparel Industry Partnership Agreement) product specific (e.g. Rugmark) or country specific (Abrinq). Are there advantages to a sector specific or country specific approach in developing effective standards and monitoring systems? With a sector-specific approach, is it more likely that the involvement of all companies in a sector can be achieved (perhaps through government "carrots") thus creating a "level playing field"?

What the label communicates:

- We need to try to ensure that labels (or a code functioning as a label) communicate precisely and accurately what has been measured and evaluated. A Certification Monitoring Network (CMN) has been established to try to act as a watchdog to identify misuse of certification systems, or certification systems that don't have adequate systems for controlling claims. [The Inter-Church Committee on Ecology, which is part of TCCR, is a member of the CMN. The CMN web page is at www.cmnet.org.] We could learn a lot from the environmental movement. [The Environmentally Sound Packaging Coalition of

Canada has a helpful report, *Reassessing Environmental Labelling: The Consumer Perspective*, 1997.]

- Confusion has been created through a proliferation of labels. For example, in Europe there are various coffee labels. Fortunately, there has been some progress made with the establishment of the Fairtrade Labelling Organization (FLO), with some agreement involving southern parties regarding standards, monitoring, etc. Similarly, in the forest sector there has been a proliferation of labels. In the FLO, work is proceeding towards agreement on a common label. It won't go on coffee immediately because of the existing market recognition for specific labels in particular countries. But there is likely to be a common label on orange juice concentrate.

North-South relations:

- How can we use codes and labels to divest ourselves of the power of the North and support the empowerment of the South?The response may vary depending on the sector. In the apparel sector, a company like Nike has several production sites in several countries. As well, other companies may have contracts with the same producers. The companies appear to be moving toward multi-company monitoring systems designed in the north, in part because of the problem for their producers of multiple monitoring systems. But there is still a role for local monitoring groups to monitor the monitors—even if they are not officially authorized to do so. We can try to force the companies to give them a role in the process.

- The sharing of information that is produced as a result of the labelling / monitoring process can empower not only local producers but also those outside of the labelling organization's purview. For example, the UCIRI coffee co-operative, using proceeds from participation in the fair trade labelling system, acquired a fax machine. The co-op can now get up to date information on the price of coffee in the New York market. This information is now available to all producers in the area, empowering them to challenge the prices offered by the "coyote" middlemen.

- Does the income generated by a labelling system contribute effectively to strengthening southern groups? For example, the income generated by Care & Fair, an organization of European rug importers, is distributed as it sees fit. No-one knows how the money collected by Kaleen is spent. (Kaleen is the label of rug exporters supported by the Indian government.) The income generated by the Rugmark system is spent on the inspection system, and on rehabilitation centres and schools. However, it is still not entirely clear that the Rugmark system will be self-sustaining.

(But should a self-sustaining income for inspection and support of "development" be a measure of a label's success? Perhaps we should see the amount of income generated as having important symbolic value. It is a symbol of the connection between the components

of a fair trade system.)

- As we have a relatively small market in Canada, might our role be primarily to ensure that the labels promoted here, which are mostly developed elsewhere, are ones which have a positive impact on the South?

FAIR TRADE LABELLING: FAIR TRADEMARK CANADA AND THE FAIRTRADE LABELLING ORGANIZATION INTERNATIONAL

Background documents circulated (March and previous meetings):

- Bob Thomson, "Notes for a Learning Circle Presentation on Fair TradeMark Canada."
- *Fair TradeMark News*, Issue 4, January 1998
- FLO International, *Fairtrade Labelling Organizations* [leaflet]
- Ten Days for Global Justice, *A Taste for Justice* [Education and Action Guide, 1998]

Presentation by Bob Thomson:

Bob Thomson is the Managing Director of Fair TradeMark Canada. Details of Bob's presentation are provided in his paper.

- The origins of the fair trade labelling system for coffee are found in the collapse of the International Coffee Organization managed market in 1988, and the decline in world prices below the cost of production for most small coffee growers.
- The first fair trade label was developed by Dutch NGOs (having first considered the development of a Dutch NGO coalition coffee company).
- There was rapid growth of the market for fair trade coffee in the Netherlands, Switzerland, Germany and other European countries.
- In 1994, the Canadian organization was formed. In 1995, the CAW provided seed funding with a CIDA match, and FTMC signed a cooperation agreement with TransFair International. In 1996, Bob began full-time work for FTMC [he didn't refer to the lack of related salary!], and FTMC joined the Coffee Association of Canada; and developed a broader coalition of support from churches, unions and NGOs. In 1997 FTMC joined the newly organized international Fairtrade Labelling Organization.
- Fair TradeMark Canada is not a charity but a non-profit market-based mechanism. In considering the options for supporting fair trade in Canada by making labelled coffee more easily available, the options of finding working capital to support more Bridgehead outlets across Canada (e.g. 20 or 30) were weighed against the advantages of selling labelled coffee through existing outlets. The contradictions of the latter option were recognized (e.g. dealing with companies that compete with small co-operatives, as opposed to supporting South-North co-op to co-op trade). However, the advantages are the greater sales possible through established market outlets, with more money generated for coffee farmers, as well as the opportunity to draw

larger numbers of people into discussions of where and how coffee is produced.
- There have been difficulties in finding the financing and other support needed to market the concept in North America. In Europe there was significant start-up funding from the churches and a well-established network of "world shops". Fair TradeMark Canada now has $100,000 of what would ideally be a $500,000 budget; however, the Ten Days campaign has provided significant public exposure, and an effort is being made to promote the concept within unions.

Presentation by Sara Teitelbaum, ASEED, Montreal:

Sarah is a member of ASEED, a Montreal-based student organization, active on the University of Montreal and McGill campuses, which began work on the fair trade coffee campaign following the visit of two of its members to the Ucirir coffee co-op in Mexico. ASEED has produced fact sheets, a comic book, action guides, and a play (written by Sara). It has put significant pressure on Van Houtte (a major coffee company in Quebec, which is also one of the largest office coffee suppliers across Canada) through a postcard "buycott" campaign; Van Houtte is showing some signs of interest. ASEED has also produced a "suggestion card" for customers to leave with local stores. ASEED is finding that the fair trade movement receives a more positive reception in small communities (e.g. Rimouski) than in larger cities.

Presentation by Gutberto Osori Oliver, Unión de Comunidades Indígenas de la Región de Istmo (Ucirir Cooperative), Oaxaca, Mexico:

Gutberto described Ucirir and its achievements by referring to a large wall hanging which depicts a tree, and the contribution of its roots, trunk, branches, leaves, etc. Some of the parts about which he spoke were: the Dutch, German and other solidarity groups; the network of indigenous organizations in the Oaxaca area; his own cooperative community.

Uciri's participation in the fair trade labelling system has had concrete benefits. For example, the profits have supported the purchase of equipment which has reduced the amount of hard labour; community vehicles for communal work; improved mass transit; a community clinic; education centers for agricultural technicians and organic production; housing improvements; cooperative farming for the local market.

The fair trade approach also encourages agricultural methods which emphasize soil conservation (using indigenous technology) and forest conservation. In some cases (Uciri is one), coffee coops qualify for organic certification, and efforts are being made to train indigenous certifiers, rather than having to rely on certifiers from Europe or North America. (Certification takes place through an international organization which accredits certification companies from around the world.)

Discussion:

- Uciri is one of the largest co-ops, involved with Max Havelaar, the Dutch fair trade organization, from 19988. They have been able to invest the "surplus" over the world price to

provide training and other benefits to their members. They are not tempted, as are some of the newer co-ops that lack long-term experience, to sell to the "coyotes" when the world price is high.

- Some of the newer co-ops need management assistance and credit. (Companies may be unwilling to lend to them because they lack audited accounts). But the licence fees are not large enough for the international labelling organizations to provide these forms of assistance. It is hoped that NGOs and micro-credit organizations will provide this kind of support. Bob is exploring this with Canadian NGOs and lending organizations such as the Citizens' Bank.

- Issues of pricing (and in particular the price for organically certified fair trade coffee) are under discussion; and a related issue is the governance of the FLO, and the role of producers in it. This summer there will be regional meetings of Latin American and African producers regarding pricing, and in 1999, a producers' assembly in Europe. The prices needed by producers will have to be balanced against the price sensitivity of the market.

- One of the "prices" for producers in Mexico is the human price, and the threats and practice of violence against indigenous leaders organizing cooperatives.

FUTURE DIRECTIONS FOR THE LEARNING CIRCLE

Diana Bronson reported on a proposal from a conference planning organization that the ICHRDD co-sponsor a conference on codes of conduct for Canadian business for about 250 senior corporate executives, in November 1998. Test marketing this spring will lead to a decision in June about proceeding.

Moira invited comments on :
- whether the Learning Circle should continue for a second year?
- if so, should it continue in a "learning" or more pro-active role?
- if so, possible topics, foci of action, etc. Topics previously suggested which it had not been possible to work into the meetings so far included: developments in labelling or fair trade in other products such as mangoes and bananas; other examples of southern groups developing codes or labels or related marketing strategies (e.g. Prabartna in Bangladesh); the role of unions in relation to codes and labels, and possibilities for support for codes / labels through the collective bargaining process; evaluation of the International Code of Practice for Canadian Business; presentations by the Ethical Trading Initiative (UK) and SA8000 (US); approaches to monitoring.

Suggestions included:

- undertake research into the feasibility of the formation of a foundation (international?) to take on the task of monitoring for various labels and codes. A single monitoring agency would reduce costs, standardize monitoring procedures, and ensure that consumers would be informed about what each label means.

- consider the development of a common educational framework (e.g. a common poster?) for ethical labels being promoted in Canada, such as the FSC, Fair TradeMark Canada and Rugmark. Individual labels would be retained, but we might develop a logo or some other means of joint communication about what they represent. A sub-group of organizations around the table could development a common proposal for education about labels.

- support the development of new codes and labels, but keep in mind that:
  - sector specific rather than general approaches may be most useful;
  - a label is not necessarily the desirable outcome of every initiative; in some areas, the development of a code and monitoring processes may be all that is useful or possible;
  - initiatives elsewhere should not always be emulated; we should continue to evaluate them.

- try to find ways to ensure that Southern groups, unions have more voice in the development of code and labelling initiatives.

- broaden efforts to understand the relationships of fair trade and code/labelling campaigns to projects involving Canadians who can't afford fair trade prices, e.g. to groups such as Field to Table in Canada.

- consider our strategy vis-a-vis government and begin a policy dialogue and / or lobbying on the role of government. Issues might include:
  - the implications of its general encouragement of codes which might sometimes have negative consequences unless the government is prepared to suggest guidelines;
  - the possibilities for linking government action and voluntary codes.

- provide a forum for discussion of funding and other support for established as well as new initiatives. There may be different constellations of support for fair trade initiatives (which are hybrid NGO - business organizations); and corporate codes / labels (which engage corporations and NGOs/unions in relations ranging from cooperation to conflict). Fair TradeMark Canada, in receiving start-up funding from CIDA, found that its status as a non-profit corporation complicated funding decisions.

- develop the "learning circle" into a broader national forum of NGOs, social investment organizztions, unions, and corporations (similar to the Ethical Trading Initiative in the UK), within which various codes and labels could be discussed; the outcomes are difficult to predict, but with clarification about different approaches, consumers (and other actors, such as governments) might be assisted in understanding the choices involved.

Moira will be preparing a report for the John Holmes Fund. As well, an application will be prepared for a second year of funding. Tim Draimin, Bob Jeffcott, Bob Thomson, and Bob Walker offered assistance.

APPENDIX II: "The Business of Change" Project Report

Agenda documents prepared by staff:

- "The Business of Change: Criteria for Evaluating Labels," October 1997
- "The Business of Change: Information Required for Evaluating Labels," October 1997
- "The Business of Change: List of Labels," October 1997
- "The Debate over Rugmark," February 1998

Draft for discussion
October 1997
Steelworkers Humanity Fund

Document 4

THE BUSINESS OF CHANGE: CRITERIA FOR EVALUATING LABELS

Impact on groups, communities, environment

- positive impact on a particular group, e.g. children, women, workers, or for the environment, ensuring locally sensitive and useful outcomes

- support for local efforts to improve social or environmental conditions, accessibility of the strategy to groups in the private sector and civil society, making it easier for them to negotiate standards for production which meet basic labour rights criteria or to achieve other health or environmental goals

- contribute to financing for development for a particular community or group or for environmental protection, or to a higher financial return to workers in a production unit

Impact on consumers, public

- contribute to responsible consumer behaviour rather than encouraging responses that simply make the consumer feel good, or unintended boycotts

- contribute to public education on the issue being addressed by the label, e.g. a fuller understanding of models of development and the global distribution of wealth and power

Impact on business

- contribute to general promotion of responsible business practice, including areas and sectors not visible to consumers

Impact on government

- increase pressure for national and multilateral government development assistance, capacity building and law where these are needed, i.e. function as precursors to government assistance and legislation and avoid becoming inadequate substitutes or detracting from support for these responses

Design of the label / code

- produced through South/North consultation and applicable to the North as well as the South

- content emphasizes empowering groups to negotiate their own conditions or standards, consistent with internationally accepted criteria

- criteria are not too difficult or costly to implement in the short term, but can be strengthened in the long term; on the other hand, criteria do not oversimplify the complexities of setting standards, monitoring and remediation because of the need to "sell" the label to companies or consumers

- provides an effective system of monitoring claims of producers and companies regarding their social and environmental impact, ensuring the integrity of claims made

- provides for a sustainable process for monitoring, as well as for reviewing and adapting to changing circumstances and needs

Draft for discussion
October 1997
Steelworkers Humanity Fund

Document 5

THE BUSINESS OF CHANGE: INFORMATION REQUIRED FOR EVALUATING LABELS

Product or service
e.g.- consumer goods; carpets, soccer balls, garments
- raw materials: wood
- services: tourism

History
- date
- circumstances

Issues / Criteria
- working conditions, environmental sustainability or other
- needs / rights of children, women, aboriginal peoples, other groups
- debates about what the content of labels / codes should cover: e.g. "living wage" vs. minimum wage debate; best practices vs. absolute standards

Objectives
- improve company's own operations
- change and / or eliminate / end contracts with operations not meeting conditions

Label
- on product or displayed by retailer
- implied by code advertised in connection with brand label or retailer name

Sponsoring organization(s) in producer country(s)
- corporations, government, NGOs

Sponsoring organization(s) in consumer country(s)
- corporations, government, NGOs

Governance of sponsoring organization(s) in relation to label
- what groups are represented?

Producing country(s) covered by label or code

Dominant consumer markets

Canadian links
- is the label or code one that is being promoted in Canada? could be?

Monitoring and reporting
- formal internal
- formal external: NGOs, auditing firms, etc.
- informal scrutiny by NGOs, media, etc.
- reported?
- compliance training?

Financing
- labelling / code development
- monitoring and reporting

Levies for development
- producer, exporter, importer, retailer
- programs supported by levy

Education of consumers, producers
- special programs, or part of promotion of label or code?

Penalties for violations
- built into code
- external to code, e.g. links to government

Information sources
- critics, supporters, analysts

THE BUSINESS OF CHANGE:
LIST OF LABELS

This list includes, in addition to labels, some codes of conduct which function as labels or could function as labels, if the code claims of well known corporations are seen by consumers as a reliable indicator of conduct[1] The labels and codes listed here have various sponsors: corporate, NGO, union, government. Most, but not all, are labels/codes directed at consumers in Europe and North America. All of the labels / codes pertain to production in developing countries and some to production in North America / Europe as well.

The description here is intended only to provide enough information about how the label / code is intended to function, to enable the members of the learning circle to decide if it is one we wish to study and evaluate.

Abrinq (Brazil)
Our information is sketchy. Abrinq appears to be a campaign that began in the toy industry focused on the issue of child labour, but spread to other sectors. In the shoe industry, for example, the Pro-Children Institute issues a stamp certifying that participating companies (52) do not use child labour. Financial support from the companies provides support to schools and to families and scholarships. In the auto sector, GM, Volkswagen, Ford and Mercedes-Benz have agreed to participate in Abrinq, but apparently have not warned or cut off any suppliers because of child labour in the chain of production (metal parts and upholstery materials). It is not clear whether Abrinq is primarily found in export sectors or whether it is equally a response to the domestic market.

ACTWU and US Clothing Manufacturers Association
In 1993 the ACTWU (the union relating primarily to men's clothing manufacturing, now part of UNITE) signed a collective bargaining agreement (apparently still operative) which included clauses concerning labour standards in the sourcing of production both in North America and abroad. At the time there was not much sourcing of men's clothing (compared to women's) abroad.

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[1]There are dozens of codes not listed here. For example, a U.S. Department of Labor study of the apparel industry identified 37 codes pertaining to child labour in a survey of the 48 largest US retailers and apparel manufacturers. ICCHRD's survey of the 98 top Canadian firms in non-financial sectors with overseas operations found that of the 43 firms responding, 34 had - or were introducing - codes of conduct.

ASIC [Salvadoran Clothing Manufacturers Association]
ASIC has developed a code of conduct and plans to engage transnational auditing companies.- CISPES (Committee in Solidarity with the People of El Salvador) believes the ASIC code is without substance.

BGMEA/ILO/UNICEF Memorandum of Understanding
The Bangladesh Garment Manufacturers and Exporters Association, the ILO and UNICEF signed an agreement in 1995 that provides that all child workers in the garment sector be removed from factories and enrolled in schools with income support shared by BGMEA, IPEC (ILO) and UNICEF. A monitoring and verification system developed by the ILO oversees compliance. The BGMEA will offer employment to qualified family members of underage workers whose employment is terminated and former child workers will be offered re-employment once their schooling is completed.

Care and Fair
This is a non-profit organization of German carpet importers and retailers with the goal of preserving the reputation of and trade in oriental carpets by advocating socially responsibility. Importers are expected to exert pressure on producers and suppliers to adhere to principles of no bonded labour; schooling for children, and "humane working conditions" for all workers. It does not undertake inspection, and does not claim that all carpets are made without child labour. The label is not attached to individual carpets but can be displayed in sales area or used in publicity by the retailer. Some retailers in Canada have associated themselves with Care and Fair.

Clean Clothes Campaign / Fair Trade Charter for Garments and Sportswear
The Clean Clothes Campaign in the Netherlands developed a "Fair Trade Charter", a code of conduct for retailers based on ILO standards, and seeking active engagement of retailers rather than boycotts. The FNV and CNV (Dutch labour unions), and NOVIB (a development NGO) also support the Charter.There are / have been various loosely related campaigns in other European countries. We don't have information as to whether any companies / stores have adopted the charter and thus received the imprimatur of the campaign.

Clothes Code
Sponsored by Oxfam, UK, this appears to be similar to the Clean Clothes Campaign. Oxfam has been meeting with the top 5 retailers and reports progress with some.

DIP (Double Income Project)
DIP began in 1995, and is based in Switzerland. It is a labelling scheme for textiles and garments imported into Switzerland from developing countries. Producers must meet social and environmental standards, and must "double" the wages of workers, with the extra wage being donated to the Project, which invests the money in welfare projects for the workers' benefit. For each labelled product imported, the Swiss importer also pays one US dollar to the DIP Project.

Ethical Trading Initiative, which grew out of the work of the **Monitoring and Verification Working Group**

The MVWG was formed by the Catholic Fund for Overseas Development, the Catholic Institute for International Relations, Christian Aid, Consumers International, Fairtrade Foundation, New Economics Foundation, Oxfam UKI, and World Development Movement. It published *Open Trading, Options for Effective Monitoring of Corporate Codes of Conduct*, in March 1997.

About 30 companies, predominantly in the retail sector, began meeting with these and other aid and development NGOs to develop a common approach to improvement of working conditions of suppliers and subcontractors. There was "the very real concern that the creative energy fuelling the current generation of the many initiatives concerning codes of conduct and their monitoring and verification may be unnecessarily dispersed and wasted through fragmentation of efforts and outputs, which in turn could lead - as it did with ecolabelling in the 1980s - to confusion amongst those constituencies central to driving the process, particularly consumers and the ethical investment movement." The group will develop a common system of monitoring for companies to use in their implementation of codes, and institutions to provide training and accreditation of monitors. The secretariat for the ETI is provided by the Fairtrade Foundation.

ETUF-TCL and EURATEX Code

The European Trade Union Federation of Textiles, Clothing and Leather; and Euratex [the European employers' organisation in this sector] agreed in 1997 to a code of "fundamental human rights in the workplace". It covers 60-70% of enterprises in the sector, and applies to European enterprises and their subsidiaries or sub-contractors in the developing world. The first report will be submitted to the European Commission in July 1998, and monitoring procedures will be refined on basis of report.

Fair TradeMark Canada

Fair TradeMark is the Canadian affiliate of the Fairtrade Labelling Organization International (FLO), an international fair trade labelling network with branches in several European countries, the U.S. and Japan. The affiliates license the use of the label by companies, with the label telling the consumer that the product has been produced under fair trade criteria. These criteria include not only a fair price, but also long-term assured markets, provision of credit at reasonable interest rates, and democratically organized production.

The fair trade concept has achieved considerable success in European markets. Fairly traded coffee is selling in 35,000 European supermarkets and in 1996, fair trade sales of over 24 million pounds of green coffee beans were licensed through over 130 commercial roasters and importers. Fair TradeMark Canada currently has five licensees and is involved in discussions with a major regional coffee company. Fair TradeMark can also license tea, cocoa, sugar and honey, and the feasibility of labelling is being investigated for orange juice, bananas, coconut oil, sesame seeds, flowers, textiles and soccer balls.

FIFA soccer ball agreement, Pakistan

An agreement on a code of conduct was reached in 1996 between FIFA (the Fédération Internationale de Football Association) and ICFTU, in conjunction with the ITGLWG (textile, garment and leather workers union) and FIET (the commercial, clerical, professional and technical employees union). The code forbids child or forced labour, and mandates wages "sufficient to meet basic needs and provide some discretionary income", freedom of association and the right to collective bargaining, and no discrimination. Codes are to be posted in factories, with independent monitoring through unannounced inspections. FIFA licenses its name to sporting goods manufacturers.

In 1997, an ILO / UNICEF Partnership Agreement was reached with representatives of the soccer ball industry, through the Sialkot Chamber of Commerce (most production is in Sialkot). The agreement will provide child labourers removed from soccer production with education, and will establish an independent monitoring body to provide periodic reports to the World Federation of Sporting Goods.

Forest Stewardship Council

The FSC was founded in Toronto in 1993 by a diverse group of representatives from environmental organizations, the timber trade, the forestry profession, indigenous people's organizations, and community forestry groups. It is now based in Mexico with 170 members from 36 countries. It is a voluntary, independent body for accrediting third-party certifiers. a set of principles and criteria for forest management — environmental, social and economic — serve as the basis for the development and approval of national or regional standards, by national and regional working groups around the world. The principles include respect for the rights of indigenous peoples and local communities with legal or customary tenure; providing local communities with opportunities for employment and other services, and respecting the ILO conventions on freedom of association and collective bargaining.

GAP

The GAP, a US-based clothing store, was the target of a campaign by the National Labor Committee, a US ngo, concerning labour conditions in the Mandarin factory in El Salvador, operated by a subcontractor. As a result of the campaign, the GAP agreed to facilitate monitoring of its code of conduct by an independent monitoring group of local human rights and development groups. The monitoring group has been functioning since May 1996. The GAP was thus the first US company to agree to independent monitoring of its code, although only - to date - at this site. At Mandarin, Eddie Bauer is also operating under the monitoring accord.

ILO "country labels"

The ILO Director-General, in June 1997, called for the introduction of a voluntary, global system of "social labelling" which would allow a state to give an overall social label to all goods produced in its territory, provided it accepted the core ILO conventions and agreed to independent monitoring. He suggested that the proliferation of voluntary codes and labels is useful in some instances. but can be arbitrary, singling out a particular right or product, or

targeted only to export sectors. His speech also suggested that the global system might provide the "framework for a variety of codes and labels to be negotiated". Proposals from the ILO Board of Governors are to be brought forward in November.

ISO (International Organizaton for Standarization) and **Canadian Standards Association**
The ISO moved in 1987 from technical standards governing products to address policies and procedure s in the workplace, with the ISO 9000 Series on Quality Management) and then the ISO 14000 Series on Environmental Management in the 1990s. In June, 1996 the 14000 Series, together with the key standards on environmental auditing and certification, were formally adopted by the ISO. The ISO 14000 does not establish a standard of environmental protection, measure environmental. performance, or audit compliance with environmental regulations. The CSA has developed a management systems approach (as compared with a performance-based system) to forest management which is based on the ISO approach, and which the Canadian forest industry hopes will be adopted globally.

Kaleen
This label was created for carpets in 1995 by the Indian Government through its Carpet Export Promotion Council (CEPC). A label is to be attached to all carpets exported from India, with a contribution of .25% of export earnings to a special fund for the welfare of children. Exporters will have to sign a commitment to the cause of abolishing child labour. Industry will regulate the system through the CEPC, monitored by an oversight committee appointed by the government. (This information is somewhat dated.)

Migros-Del Monte
A label / code in the Philippines, initiated in Switzerland by Bread for All, and monitored by Philippines experts?

Nike
Nike's code of conduct has become the focus of a campaign for independent monitoring instead of monitoring by a Nike-appointed monitor (Andrew Young).

Philipps Van Heusen
The campaign, supported by GLEP (the US Guatemala Labor Education Project) is for a collective bargaining agreement in Guatemala, not a code, but might a positive outcome mean that the Philipps Van Heusen label becomes a label of "good conduct"?

Rugmark
Rugmark International is an international association of national initiatives from India, Nepal, Germany and, more recently, the Netherlands and the US. The association owns the trademarked logo and Rugmark name, which indicates that carpets have been manufactured without the involvement of children under the age of 14 unless the loom is owned by a parent, and the children attend school; and that the official minimum wage is paid to the loom owner. Through

cooperation agreements, Rugmark foundations in India and Nepal inspect producers and exporters in the host country, and disburse funds resulting from licence fees for the use of the logo to social programmes in the host country. Carpet manufacturers and exporters pay a fee to cover the costs of the inspection system. Through management agreements, northern Rugmark members promote Rugmark in a contracted national territory, and collect license fees from importers. The license agreements cover the use of the Rugmark logo according and the collection of a 1% royalty.

Starbucks

Starbucks adopted a 'framework for a code of conduct" in October 1995 after a campaign by GLEP (the US Guatemala Labor Education Project). The code covers child labour, wage levels, environmental practices and freedom of association. GLEP is currently focusing its efforts on encouraging Starbucks to make its code operational.

STEP

This Swiss foundation, established in 1995, licenses retailers to use the STEP label in stores and in publicity. It undertakes the monitoring of carpet production sites for child labour in India, Nepal, (and Pakistan?). STEP was founded by IGOT, an association of 8 oriental carpet dealers committed to honest business relations; and 5 aid organizations: Bread for All, the Swiss Lenten Fund of Catholics; Caritas; Swissaid, and the Berne Declaration. The label is not affixed to individual carpets and does not signify a guarantee that the carpets are made without child labour. Licensees pay a levy to support development projects in production areas. STEP's office and monitoring operations are, at this point, dependent on charitable financing

UBINIG (Bangladesh)

UBINIG is an NGO with which Inter Pares and the Steelworkers Humanity Fund, among others, work. It has been suggested that a marketing outlet for textiles which it operates functions as a "label" for the domestic market.

US Apparel Industry Partnership (the "No Sweat" agreement)

In 1996, the US Secretary of Labor announced the formation of an Apparel Industry Task Force to create standards for an apparel code of conduct, applicable domestically and abroad. The task force was made up of industry, government, labour, human rights and environmental groups. In April 1997 it issued its preliminary version of a *Workplace Code of Conduct*, and *Principles of Monitoring*. A further version is expected to be announced shortly.

Wear Fair Charter (Labour Behind the Label Coalition

Coalition members include Union of Needletrade, Industrial and Textile Employees (UNITE) Ontario District Council, Development and Peace, Canadian Autoworkers (CAW), Pueblito Canada, CUSO Ontario, OXFAM-Canada, Edumenical Coalition for Economic Justice (ECEJ), Workers Information and Action Centre of Toronto (WIACT), Parkdale Community Legal Services, an the Maquila Solidarity Network. The coalition was formed in the summer of 1996, after the conclusion of the GAP campaign in which several members were involved. The Wear

Fair charter and action kit was prepared jointly with the Jesuit Centre for Social Faith and Justice (now closed) and the Maquila Solidarity Network. The campaign includes issue sheets on child labour and on codes of conduct and independent monitoring. It includes a Charter for the Fair Treatment of Garment Workers. While the campaign encourages multiple initiatives, the focus has been on Woolworth's "Northern" labels, produced in Canada, and on the call for a federal task force on sweatshops.

Other names / cases to investigate?: Fairtrade Bananas, Smart Wood, Verité and Association François-Xavier Bagnoud, code of the Canadian Chemical Producers Association, Canadian Care labelling; Mining Association of Canada environmental code; organic produce labels.

Steelworkers Humanity Fund
February 1998

THE DEBATE OVER RUGMARK

A. Published sources

The following are the published resources which we have reviewed regarding Rugmark. Most of these have been made available to members of the "Learning Circle".

Durai, Jayanti and Mike Dottridge, ed., , *Helping Business to Help Stop Child Labour: Comments on How Company Codes of Conduct, 'Child Labour Free' Labels and the Social Clause Can Help Eliminate Child Labour,* Anti-Slavery International, 1996], pp. 45-48.

Hilowitz, Janet, *Labelling Child Labour Products: A preliminary study*, International Labour Organization, [1997?], Part Two, Six labelling initiatives that target child labour.

International Labor Rights Fund, *Rugmark After One Year: Appraisal of a New Effort at Social Marketing in the Interest of Children*, 1996, Washington, DC

Sharma, Mukul, Marked for life," *New Internationalist*, July 1997, pp. 29-30.

Stackhouse, John, "Boycotts not enough to end child labour," *The Globe and Mail* (Toronto), October 25, 1997, pages A1, A16. See also the response to Stackhouse's position in section B, below.

UNICEF Canada, *Review of "Rugmark" as a Strategy to Combat the Exploitation of Children*, A study commissioned by Canada's Department of Foreign Affairs and International Trade, June 1996. See also the critical response and counter-response:

> Canadian Anti-Slavery Group, "Review of the Study by UNICEF-Canada on Rugmark as a Strategy to Combat the Exploitation of Children," 1996.
>
> UNICEF Canada, "UNICEF Canada's Response to Ms. Kathleen Ruff's Review of the UNICEF Canada Rugmark Study," 1996.

B. Unpublished sources

Kathleen Ruff and Bob Thomson sought responses from several people to the critical article by John Stackhouse in *The Globe and Mail* (attached). These responses, in summary, were:

1. Criticisms of Rugmark by Shamshad Khan

Shamshad Khan is, as described in Stackhouse's article, a member of the Rugmark Board of Directors, but he is said to have been undermining the program ever since Rugmark refused to hire two persons he wanted to be named as inspectors. He has never made allegations or recommendations regarding the inspection system to the Rugmark Board.

Khan was, in fact, the person who started the inspection system and ran it for the first five months with four inspectors whom he alone appointed. None had previous experience in the carpet industry. The second batch of inspectors were appointed after Mr. Sondhi joined as Executive Director and were selected by a properly constituted Selection Committee.

Khan is now operating schools in U.P. with the support of Kaleen and Obeetee, and draws most of his support from this group. He has refused to cooperate with Rugmark when they have asked for details of the location if the schools he runs to enable Rugmark to send children to him who have been removed from looms in the area.

2. Major manufacturers' support for Rugmark

Stackhouse says that Rugmark has met "widespread opposition from major manufacturers, exporters and many leading social activists. Of India's 2,500 carpet exporters, Rugmark has licenced only 178 manufacturers, who account for less than 20 per cent of the country's carpet exports."

Rugmark says that with the exception of Obeetee, the major carpet manufacturers in India are licensees of Rugmark. Out of 2,500 so called exporters, a large number have licenses but don't actively export.

3. Revenue system

Stackhouse confused the 0.25% levy on rug exports with the 1.0% levy on rug importers in northern markets. The former covers the costs of monitoring and inspection and the latter generates funds for schooling and rehabilitation of children who have lost work because of the Rugmark. As well, licensees have assisted with the school projects, through donation of the buildings, TVS, refrigerators, etc.

4. Rugmark's inspection system

Stackhouse says that when a Rugmark inspection jeep approaches a village, children are removed from the looms. However, Rugmark criteria require that a working loom with no workers is automatically classified as a loom at which there are or have been exploited child labourers. Also, Rugmark inspectors leave their vehicles before they reach the village and move on foot for inspections. The inspection system includes a variety of steps:
- initial inspections of looms of those who apply to become licensees;
- further inspections on a regular basis
- random inspections for those whose orders are required for execution
- re-inspection of those looms found with child labour and those found vacant
- inspections of off-loom activities such as washing, drying, clipping
- consignment checks at random to see if labelling is being done properly.

The inspection programme is drawn up by the coordinator every day and handed over to the inspection teams early in the morning to retain secrecy. The inspection teams are rotated so that it is not the same pair of people visiting the same area from day to day. Inspectors have identified nearly 1,200 children. (Rugmark, incidentally, permits apprentice child labour at a family's own looms.)

Stackhouse said that false medical certificates for children under 14 are used to circumvent the Rugmark inspection system. However, Rugmark said that verification of the age of children where it is in dispute is done by a practitioner registered with the Indian Medical Council, whose verdict they have no reason to doubt.

Finally, Rugmark supporters say that Rugmark does not claim to be a guarantee against child labour. Nobody would claim the system is 100% infallible, but inspectors do check, children are found working illegally and are placed in schools, and where children have been found working illegally, the carpets cannot receive the Rugmark label.

5. Rugmark's inspection system compared with the system of Obeetee Ltd, India's biggest exporter.

Stackhouse questioned how Rugmark could monitor 18,000 looms with 16 inspectors when Obeetee has 12 inspectors to cover only 2,000 looms.

Inspectors from Obeetee are in actual fact the manufacturer's quality control inspectors who ensure that commissioned carpet designs are being followed properly. Since Obeetee inspectors must review individual carpet design details, they naturally cannot inspect the same number of looms as Rugmark's inspectors. The Rugmark inspectors themselves have, in fact, done more than 18,000 loom inspections in the past year, which fulfills its mandate to keep periodic tabs on all the looms under license control. Because of the failure of many companies to pay their fees,

however, the inspectorate has not been able to grow to bring in new companies. They hope to remedy this soon.

Obeetee inspectors, as employees of the company which benefits , can hardly be called independent monitors. However, Obeetee could, if it wished to be helpful, supplement Rugmark's own inspections with respect to the presence of exploited child labour.

The same quality control procedures are followed by several of the Rugmark licensees. Ram International, for example, has trained all its field staff to watch for child labour, and reports any findings to the Rugmark inspectorate. This considerably augments the inspections done by Rugmark itself.

6. Rugmark and Kaleen

Stackhouse says the "through India's Carpet Export Promotion Council, most manufacturers have opted instead for a different label, called Kaleen, which means carpet in Hindi, which has not been accepted by many North American or European importers." He fails to say why this is the case. Because it is the Carpet Export Promotion Council which is responsible for inspections, the label is similar to a company code of conduct which is audited by the company itself.

7. Rugmark schools

Stackhouse said that "there are increasing worries such schools ignore the broader education problems in northern India and exclude the vast majority of the region's child labourers...."

Rugmark does not claim to be able to solve the problems of all of northern India's child labourers. Indeed, it has always been recognized that such independent monitoring schemes create hardships for some children thrown out of work, while helping many others. In the complex, grey world of poverty alleviation and bonded labour, many activists as well as sceptics have concluded that the Rugmark, on balance, helps more children than it harms. As well, Rugmark together with other Indian NGOs has pressured the government of India to allocate more than $200 million extra dollars to primary education in the carpet belt, and is generating its own resources for education and rehabilitation.

8. "On balance"

Supporters of Rugmark say that the main point is that Rugmark has forced the Indian carpet industry to examine its own employment practices and in many cases to improve them. Information is still scarce, but there seems to be some indication that the numbers of bonded children in the industry are being reduced, and there is a lot of talk, and some action, about improving education facilities and opportunities for children in the carpet areas and also in the regions that have traditionally exported children to the carpet industry.

The Globe and Mail (Toronto), October 25, 1997, pages A1, A16

Boycotts not enough to end child labour

BY JOHN STACKHOUSE
Development Issues Reporter
Mirzapur, India

CLASS SYSTEM / *Lack of access to quality education leaves few viable alternatives for many of the world's poor families*

IT was the day after the Hindu festival of Dussera, when the forces of good conquer evil, and 10-year-old Choti Lal sat on a rickety wooden cot, spooling maroon wool around his feet as he does every day for a village carpet loom in northern India.

"I would rather play in the fields but my father says I would make trouble," the frail young boy said. "I would rather be in school than doing this."

Play is always possible in an Indian village — as Choti Lal spoke, a few children chased a condom inflated like a balloon — but school seldom is, at least not for the lower castes like his family. The only government school in the area sits across the fields from their hamlet, on the higher castes' side of the extended village. The teachers are seldom present, anyway. And when they are, instruction consists mostly of chanting words and numbers, and being hit with a stick when a turn is missed.

"What is the point of education?" asked Choti Lal's unemployed and uneducated father, Dudh Nath, who has nine other children, most of them working in the carpet industry.

Please see Better / A16

• From Page A1

"Even if he graduates, he won't get a job, and it would cost us a lot of money. Of course it is better that he works."

As governments, child-rights groups and social activists from 40 countries prepare to gather next week in Oslo to discuss ways to end child labour around the world, many people in northern India's carpet-weaving belt, from parents to exporters, believe far bigger problems are being missed. And until those problems are addressed seriously, they argue, child labour will not disappear.

"Fighting child labour, whether it is in diamond polishing or soccer-ball making or carpet weaving, has become too fashionable," said Swami Agnavesh, a pioneer of India's anti-child labour movement. "The basic moral question remains unanswered: Why is the basic education — a fundamental human right — not available for every child?"

In this decade, the international community, private business and many national governments have done more than perhaps at any time in history to stop child labour. In high-profile export industries, some progress has been made. But in places like Mirzapur district in north-central India, there is little evidence that child labour is in decline.

"Child labour is a growing phenomenon," said Shamshad Khan, a social activist in Mirzapur who has been fighting child labour for 15 years. "It is not because of poverty. Poverty is because of child labour."

Despite large amounts of outside pressure and outside money, Mr. Khan argued that rampant child labour will continue in pockets like Mirzapur for reasons that an international conference might not be able to address. Northern India's dreadful public education system, despite huge sums of foreign aid, creates few alternatives for children. And a large number of private schools run by charities may serve only to create a parallel education system for carpet weavers, while doing nothing for the vast majority of working children in other sectors.

But in villages like Choti Lal's, the reasons for child labour can also run much deeper through industrial, social and economic structures that have helped perpetuate poverty for generations.

Prajapat village is nestled in a mosquito-infested forest grove that sits like an island in a sea of rice paddies and corn fields, far from the main road and the routes frequented by labour inspectors. It is a village of the lowest castes and the landless, which in most cases are the same.

Most of Prajapat works for upper-caste landlords, who live on the other side of the single-track tarmac road. Those who can't make ends meet in the landlords' fields — and few can — send their children to work on government road-construction projects, at tea stalls, sweltering brick kilns, mechanics' garages. And carpet looms.

In almost every mud-and-straw hut in Prajapat is a big wooden loom fixed in a metre-deep trench. Entire families work on some looms. But most looms are managed by minors and young men, who sit on the edge of the dirt trench to knot wool with their fingers and the dull end of a rusty knife. Using wool prepared and washed for them by children, they follow simple Persian designs sent to them by contractors — the middlemen who often provide wool and loans for the loom, as well.

With five people working on a loom part-time, it will take up to six months to finish a good eight-by-eleven-foot carpet. The work is mundane and provides each weaver with about 90 cents for a full day's work. It also presents many health hazards. After a few hours, the air in the mud huts is so thick with wool particles that it can be hard to breathe.

By any standard, carpet weaving is a poor man's job and ripe for exploitation, but most small children are neither strong nor dexterous enough to do it full-time.

According to an industry study conducted last year for the International Labour Organization, no more than two of the five workers on a typical loom are children because adult supervision and skill is needed. "It is estimated that in carpet weaving, the actual value of the contribution made by the child labour might be around 35 per cent or so of the labour cost," the study found.

But the children's contribution in "off-loom" work — such as washing and drying wool, often done in return only for a meal — makes weaving rewarding — barely — for adults.

Demand for Indian carpets exploded in the 1970s when the oil boom made many Iranians uninterested in carpet weaving. Manufacturers looking for new sources of cheap labour, found lots of it in northern India, where Persian invaders introduced the art of carpet weaving five centuries ago.

Around Mirzapur, where some of the world's highest birth rates can be found, the labour supply continues to stay well ahead of demand and keeps wages low. But some social activists believe carpet-weaving incomes depend less on population trends than on the industry structure, which gives the lion's share of a retail price to the importer and only a small portion to the producer.

"After 10 years of looking at this carpet belt," said S. K. Panday, a Mirzapur sociologist. "I can tell you that no social-welfare scheme, no child

Better education needed for poor

welfare scheme, no program in the name of child labour will do anything if it does not connect these villages with the buyer."

Higher loom wages certainly would attract more adults. In turn, those adults would have more money with which to educate their children. And they likely would be inclined to have fewer children.

Mr. Khan's organization, the Centre for Rural Education and Development Action, has joined forces with a Swiss foundation to create village production units that can supply carpets directly to retailers in Europe. But so far, no business has been willing to bring the sort of fair trade to the carpet industry that the Body Shop brought to personal-care products.

A faster way to end child labour, according to several local exporters, would be to bring India's carpet industry into the 20th century. Although the industry employs two million people and earns $800-million a year, it still functions as a cottage industry in which the home producer lacks any power for collective bargaining and can be forced to accept the lowest wage possible.

A fairer system, at least for the carpet weavers, might be carpet factories, where child labour could be monitored much more easily than in a village. But India's labour codes, written by determined socialist governments, have helped to scuttle the few efforts in Mirzapur to modernize operations.

Factory owners in Uttar Pradesh, for example, must pay a minimum wage that is double the standard agriculture income, provide more than a dozen state-set bonuses, give 26 paid statutory holidays a year and, if they want to reduce their work forces or close a factory outright, apply for permission from the government. Such policies discourage creation of factories.

The biggest problem, however, is the incessant bribes most factory owners say they must pay to inspectors.

When India's biggest exporter, Obeetee Ltd., tried to run a carpet factory in the 1980s to improve quality, speed delivery times and safeguard designs, its labour costs soon became higher than its export price. It closed shop and, a decade later, is still fighting a wrongful dismissal suit in court. All of its carpets now come from about 2,000 village producers, who earn, on average, 55 per cent less than the factory workers did.

Hoping to put an end to child labour more quickly, many international organizations have pushed for a voluntary, and in some cases imposed, ban on products made by children. The biggest effort so far is a carpet-labelling program called Rugmark that was designed by the ILO, the United Nations Children's Fund and a small group of Indian exporters and non-government organizations.

Rugmark's smiling-face label has become popular in the West, especially in Germany and the United States, where it is seen as a sort of guarantee against child labour. But in India, it has met widespread opposition from major manufacturers, exporters and many leading social activists. Of India's 2,500 carpet exporters, Rugmark has licenced only 178 manufacturers, who account for less than 20 per cent of the country's carpet exports.

"The Rugmark label is not a guarantee against child labour," said Mr. Khan, the social worker, who sits on Rugmark's board of directors. "It is a false guarantee. You'll probably get me ousted from the Rugmark board but this must be said."

Mr. Khan said he has little confidence in the Rugmark monitoring system. Its 16 inspectors have no previous experience in the carpet business, and are required to check 18,000 looms a year. Obeetee, on the other hand, has 12 full-time child-labour inspectors to cover only 2,000 looms a year.

"Rugmark's monitoring is essentially kids' stuff compared to our monitoring, and even we get fooled," said Obeetee managing director V. R. Sharma. "A facade is being created, that is all."

When a Rugmark jeep is seen approaching a village, it is easy for the loom owner to shift his children to another function, or out of the loom altogether. Most rural Indian children do not record their birth date or age anyway, and false medical certificates can easily be obtained to prove they are over 14.

Rugmark officials say their inspectors have released about 1,300 children from looms and placed more than 500 in special schools. In cases where the weaver's age is in doubt, he is required to get a certificate from a doctor.

"Either you believe a doctor or you don't. There are no other means," said Satish Sondhi, Rugmark's executive director.

Through India's Carpet Export Promotion Council, most manufacturers have opted instead for a different label, called Kaleen, which means carpet in Hindi, which has not been accepted by many North American or European importers.

To create better opportunities for carpet-weaving children, both the Rugmark and Kaleen programs finance special schools and training programs, funded by a 0.25 per cent levy on their sales. But there are increasing worries such schools ignore the broader education problems in northern India, and exclude the vast majority of the region's child labourers who work in low-profile, non-export and usually dangerous industries.

Child labour

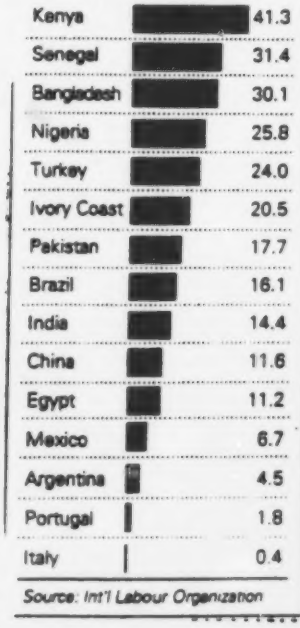
By region

Estimates of economically active children between the ages of 10 and 14 years in 1995.

	Millions	%
Asia	44.6	13.0
Africa	23.8	26.3
Latin America	5.1	9.8

By country

Estimated percentage of economically active children.



Source: Int'l Labour Organization

Canada prefers quiet diplomacy

BY SEAN FINE
The Globe and Mail

TORONTO — Are the hand-woven carpets made by children, a customer asks. Certainly not, a salesman at IKEA's Toronto store says. IKEA is a very responsible company.

Why then no signs declaring the carpets are child-labour free?

Oh, that would be like posting a sign saying, "Less than the allowable formaldehyde," the salesman responds. If the customers don't ask, we don't bring it to their attention.

IKEA's discreet approach is very much in keeping with Canada's attitude to international child labour. It is not an issue pushed in loud voices — by consumers or government. Ottawa opposes tough sanctions. It prefers quiet diplomacy, foreign aid and voluntary co-operation from companies like the Sweden-based merchant IKEA.

Canada's approach is in sharp contrast to that taken by the United States.

The U.S. government banned imports of goods made by forced or indentured child labour earlier this month. Congressman Bernard Sanders of Vermont proposed the ban as a way to express consumers' objections to child bondage.

"I think consumers wield enormous potential power by making it clear they are not going to buy products made in circumstances they object to," Mr. Sanders, an independent who describes himself as a democratic socialist, said in an interview.

Canada prefers to take aim at what it sees as the underlying reasons children work in harsh conditions: family poverty, oppression of women, and a lack of schools and teachers in Asia, Africa and Latin America. It tries to work with governments, non-profit groups and companies in these countries to improve living conditions.

"We've been programming on child labour for a long time — oh, 15 or 20 years," said Ellen Wright, a senior policy analyst at the Canadian International Development Agency, an arm of the federal government. "I call education projects child-labour projects. This isn't a new issue for us. It's a new issue for the press and it's a new issue for the consumer."

How well have Canada's foreign-aid programs been doing in ending exploitative child labour? The question drew laughter from Ms. Wright. "Well, those things are hard to measure."

Foreign Affairs Minister Lloyd Axworthy referred questions to his special adviser on children's issues, Senator Landon Pearson. She described the U.S. ban as "posturing" that will have harmful consequences, causing child labourers to lose their jobs and seek even worse forms of work — in prostitution, for instance.

"My first-off reaction is: It makes Americans feel better but it probably doesn't do much for the kids themselves. I think that any strategy that does not deal with the children put out of work doesn't do anything but make the rich feel better."

She questioned how the U.S. Customs Service will identify goods made by indentured children. No extra money has been given to customs for that purpose. However, it has begun setting up a team of foreign child advocates and corporate employees to develop enforcement guidelines.

Terry Collingsworth, general counsel of the Washington-based International Labor Rights Fund, which supports the ban, said the important point is not whether some banned goods get past customs. He believes the ban will shake up industries, will "hold their feet to the fire."

Kathleen Ruff, the co-ordinator of the Canadian Anti-Slavery Group, wrote federal Revenue Minister David Anderson two years ago complaining that carpets made by children were being imported into Canada. (Canada represents about one per cent of the world's market for Indian hand-knotted carpets.)

The government rejected her complaint, saying a ban would accomplish little because only a small percentage of child labour (four to seven per cent) work in export sectors.

Ms. Ruff sees that as a red herring. "You can't just say these goods happen to be made by slave labour and turn away, avert your eyes, throw up your hands — which is what Canada is doing."

Mr. Axworthy has set up the $200,000 Child Labour Challenge Fund to help companies pay the cost of developing internal codes of conduct about child labour. The fund, announced in April, has been open to applications since August but has not had any requests yet, said Ms. Pearson.

If Canadian businesses are adopting voluntary codes, they are not inclined to boast about them. More than three-quarters of 98 Canadian firms surveyed either have no human-rights codes for foreign operations or are reluctant to talk about them, a study done for the Montreal-based International Centre for Human Rights, which is federally funded, found earlier this year.

So what is the good-hearted Canadian consumer to do?

It's hard to know. Not just hand-knotted rugs from India, China and Iran are suspect. Clothes and jewelry from Asia may be as well. (Wal-Mart has stopped buying goods made by child labourers in Central America.) Agricultural products may be produced by exploited children in Central or South America and so, too, may hand-stitched soccer balls from Pakistan. (Embarrassed by bad publicity, sporting-goods manufacturers have joined with child-advocacy groups and Pakistani producers to try to abolish child labour in the industry.)

The consumer has few sources of accurate information. The Consumers Association of Canada, a non-profit group, offers nothing on child labour — no policy or product information. Unicef Canada does not believe consumers can influence international events — and so does not address them as players. "I don't know if it's all that important to make sure that consumers get adequately stroked," said Cathie Guthrie, Unicef Canada's director of international programs.

If consumers wish to express their outrage over child labour, she said, they should act as good global citizens by raising money for those regions rife with child labour, such as Uttar Pradesh in India, and urging governments to invest in social development.

No widespread certification program exists to draw consumers to approved products. The international non-profit Rugmark Foundation, set up in 1994 after a campaign by advocacy groups in Germany, conducts inspections and certifies carpets free of exploitative child labour. Many manufacturers in India and Nepal now carry the label, sold primarily in Germany. In Canada, only a couple of Vancouver outlets sell Rugmark carpets, Ms. Ruff said.

How much concern have Canadian consumers shown so far? Less than Europeans, said Göran Nilsson, president of IKEA Canada.

IKEA insists that suppliers guarantee their goods are not produced by child labourers, Mr. Nilsson said. IKEA uses its own inspectors and those from a private company to view its suppliers.

"We are taking this very seriously. But it's impossible to guarantee 100 per cent, from our point of view." (This is the reason IKEA does not post child-labour-free signs, said Marianne Barner, an IKEA spokeswoman in Almhult, Sweden.)

However, a Dutch current affairs television show reported this week that two of IKEA's Indian suppliers employ scores of children under 14. IKEA says it will investigate the allegations and cancel the contracts if the reports prove accurate.

For activists like Ms. Ruff and Mr. Collingsworth, it is not enough for IKEA to hire inspectors who ultimately report to IKEA; the company should be retaining advocacy groups to serve as independent monitors.

Consumers, Ms. Ruff said, are becoming more probing: They want to know whether a company's suppliers are monitored by an independent group. "If not, how is there any credibility? Every company you ask will look you straight in the eye and say, 'There is no child labour.' How can you believe them?"

APPENDIX III: "The Business of Change" Project Report

Research papers:

Human Rights Advocacy and Research Foundation [Devarajan Geetha], "Eradication of Poverty—Eradication of Child Labour: Need for a Comprehensive Strategy; Irrelevance / Inadequacy of Labelling—Rugmark strategy together with consumer boycotts of goods," March 1998

Bob Jeffcott, "A Brief History of the Labour Behind the Label Coalition," February 1998

Marcelo Levy, "The Forest Stewardship Council's Certification Program: Background Paper," February 1998

Benedito dos Santos, "Labelling Child Labor products: A Study of Strategies Developed by the Abrinq Foundation," March 1998.

Bob Thomson, "Notes for a Learning Circle Presentation on Fair TradeMark Canada," [March 1998]

Eradication of Poverty - Eradication of Child Labour

Need for a comprehensive strategy

Irrelevance / Inadequacy of Labelling -

Rugmark strategy together with consumer boycott of goods

Paper prepared by

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Eradication of Poverty - Eradication of Child Labour

Need for a comprehensive strategy

Irrelevance / Inadequacy of Labelling - Rugmark strategy together with consumer boycott of goods

Introduction :

Child labour has become a mode of perpetuating extra-economic exploitation and it ensures the continued availability of submissive, illiterate labourers who do not have the power to question the system which deprives them of their basic rights. **Thus child labour is a concrete manifestation of denial of all other rights of the children.** It is a situation in which they are denied their right to a dignified childhood; their right to education; their right to free mental and physical growth; their right to protection against exploitation

In this respect child labour in India is by no means a fringe phenomenon. It occupies an important place in the economy. Though the issue of child labour is gaining more and more attention these days, it is not a declining phenomenon. Notwithstanding the increase in the enrollment of children in elementary schools and increase in literacy levels in India since Independence, the phenomenon of child labour has been persisting side by side and has received little attention as a separate category of social evil. It was only during '80s, the problem of child labour entered the public consciousness and discourse.

Varying estimates of child labour in India :

SOURCE OF DATA	*NUMBER OF CHILD WORKERS (IN MILLION)*
1981 Census	13.60
Operation Research Group (1983)	44.00
NSS data estimates (5-14) 1987-88	17.58
NSS data estimates (5-14 years) 1991-47th Round	24.44
Census Data 1991	11.28
Balai Data Bank, Manila.	111.00
Commission on Labour Standards and International Trade, Government of India, 1995	77.00

Note: Of the NSS estimate (1991) of 24.44 millions 13.95 million are principal status workers and the rest subsidiary status workers.

Another important source of data to estimate the number of working children is the data on children out of school. As per the estimates for 1995-96 there were 173 million children in the age group of 6-14. Of these an alarming 110 million chidren are estimated to be out of school. Of the 110 million children 60 million are girl children.

Children Out of School (1995-96)

CHILDREN IN THE AGE GROUP OF 6-14	IN SCHOOL	DROPPED OUT	NOT ENROLLED
BOYS	38 MILLION	42 MILLION	13 MILLION
GIRLS	24 MILLION	32 MILLION	28 MILLION
TOTAL	62 MILLION	70 MILLION	41 MILLION

Source: GOI 1995-96 estimates MHRD, NCERT, SAIES Provisional Statistics

Drop-out estimates - Tilak 1996, MHRD 1996 Selected Statistics.

This indicates the incidence of child labour as most of those who are out of school would be engaged in some work either paid or unpaid, outside the household sector or household industries, domestic work etc. All these clearly show that the census figures on child labour are gross underestimates. Nonetheless census figures show the trends in the incidence of child labour across the country. This is useful in identifying the areas with high concentration of child labourers.

The census figures, provide information about district -wise concentration of child labour, Rural - Urban spread, Sex-wise distribution and occupational categories of child labour.

Analysis of Child Labour as per 1991 census

- During 1991 there were 209.99 million children in the age group of 5-14 (52.08% male children and 47.92% female children)
- Of the children in the age group of 5-14, about 78% are in rural areas and the rest in urban areas.
- There are 11.28 million child workers (6.18 million Boys and 5.10 million Girls) in the age group of 5-14. Nearly 91% of all these children are concentrated in the rural areas.
- Of the 11.28 million working children, 9.08 millions are classified as Main workers and another 2.2 million are classified as Marginal workers.

- Of the 6.18 million male child workers in the country 88.2% are Main workers and the rest marginal workers. Of the5.1 million girl child workers nearly 94% are main workers. This indicate that work participation of female children are more than male children.
- Though the Government has committed itself to providing education for all children, it is surprising to note that about 1.58 million children (0.9 million Boys and 0.7 million Girls) are enumerated as Job Seekers. (about 80% of them are in rural areas). Though they are enumerated as Job Seekers, they must be already involved in some work whether paid or unpaid, if not continuously, at least intermittently. Thus this category can also be considered as Child Workers and if this is included the total incidence of child labour would be 12.86 millions. However, for reasons already specified this data is still an underestimate.
- Child workers form 5.37% of all the children in the age group of 5-14. This proportion is higher in the rural areas with 6.56% of all the children in the workforce whereas it is only 2.04% in the urban areas.
- Of the total male children in the age group of 5-14, male child workers form 5.66% and it is 6.56% in the urban areas and 2.79% in the rural areas.
- Of the total female children in the age group of 5-14, female child workers form 5.06% and it is 6.29% in the rural areas and 1.23% in the urban areas.

Non Workers:

The level of underestimation of the census data with regard to child labour is further reinforced if we look at the categories under children who are classified as non-workers.

- Of the total 209.99 million children in the age group of 5-14, 198.70 million children are classified as non-workers (103.2 million boys and 95.5 million girls).
- Of these non-workers 106.4 million children (61.9 male children and 44.5 female children) are classified as students (children who are in school).
- Another important category under non-workers are the children who are involved in household duties. Nearly 7 million children are enumerated under this category. It is to be noted here that 6.2 millions, i.e., 88 per cent of all such children are females.

- Household duties could mean anything from assisting in the family farm or any other family occupation besides taking care of household chores like cooking, taking care of children, fetching water, fetching firewood and so on. Essentially these children should also be treated as working children. Thus the total incidence of child workers even according to census data would go up to 20 million.

- There are other categories of children like dependents, beggars, vagrants and inmates of institutions. All these categories put together, it account for 85.3 million children. As per the census all these children are out of school and most of them must be involved in some kind of work whether paid or unpaid.

Constitution and Child Labour :

Children below 14 years as per *Article 24* cannot be employed in any factory or mine or any other hazardous work. This is a fundamental right of every child. It is important to note the words " any other hazardous work " . This means that any work done by children that is hazardous is prohibited by the Constitution of India. Further as mandated by *Article 45* and developed in Unnikrishnan J P vs. A.P (4.2.1993) case children shall be provided education as it is now their fundamental right to be in school. Though many of the other Articles in the Constitution related to children's special rights and abolition of child labour are part of the Directive Principles, they are fundamental in the governance of our country and as required by *Article 37* it is the duty of all the organisations of the State to keep the same in mind when called upon to decide matters of great public importance. Together with this is a well developed corpus of jurisprudence wherein courts have amplified the essence of fundamental rights by breathing into them the humanism from the directive principles.

The Constitution contains other provisions, describing that a child must be given an opportunity and facility to develop in a healthy manner. *Article 39 (e)* mandates that the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength. *Article 39 (f)* goes further still to ensure childhood and all-round development of children. It states that " Children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that childhood and youth are protected against exploitation and against moral and material abondment.

Indian Legislation on Child Labour :

The Indian Parliament passed the Child Labour (Prohibition and Regulation) Act, 1986. The Act on the one hand prohibits child labour under certain occupations and processes on the other hand regulates on certain other occupations and processes. The Act creates an artificial dichotomy of hazardous and non-hazardous employment for a child. Any occupation that takes away the right to enjoy its childhood is perse hazardous. While prescribing a minimum age of 14 years for prohibited sector, it does not prescribe any age limit in the regulatory sectors for entering employment. The Act prohibits employment of children in the carpet industry but exempts children working within the family. This excemption keeps the employers outside the purview of the Act as the Inspectors are told that the child working in a loom is their family member and that it is a family enterprise. Thereby child labour force working in unorganised, house-based employments as well as in agricultural sectors are excluded from the purview of the Act. The Campaign Against Child Labour and various groups working towards the elimination of child labour are demanding radical amendments to the Act which alone be a deterrent to the employers.

Occupational Classification of Working Children:

All the Main workers are classified into nine different categories in the census enumeration. These categories are I. Cultivators, II. Agricultural Labourers, III. Livestock, Forestry, Fishing & Hunting, Plantations, Orchards & allied activities, IV. Mining and Quarrying, V. A) Manufacturing, Processing, Servicing & Repairing in Household Industry, B) Same as A in other than household industry, VI.Construction, VII. Trade and Commerce, VIII. Transport, Storage and Communications and IX. Other Services. Age group wise occupational classification of main workers (1991 census data) is available under four headings viz., I, II, V-A and other categories mentioned above combined under one heading - `other categories'. Thus for our analysis the categories are as follows.

Category I - Cultivators

Category II - Agricultural Labourers

Category III - Manufacturing , Processing, Servicing & Repairing in Household industry and

Category IV - All other works.

Proportion of children working in each of the above category is as follows.
(The following should be presented in a pie chart form).

- Of the total child workers 35.27% are classified as cultivators (Category I), 44.17% as agricultural labourers, (Category II), 3.06% as Manufacturing, processing, servicing & repairing in household industries (category III) and 17.51% in other industries. (category IV)

Category	Percentage of CW in each category of Occupation		
	Male child workers	Female child workers	All child workers
I	37.92	30.88	35.27
II	39.50	51.90	44.17
III	2.12	4.61	3.06
IV	20.46	12.61	17.50
All workers	100.00	100.00	100.00

- Among the male child workers, though about 78% are concentrated in agricultural sector, their presence seems to be quite considerable in the non-agricultural sector with over 20%.

Among the female working children about 52% are agricultural labourers and in total about 83% are in agricultural sectors. Thus concentration of female child workers in agricultural sector is more than male child workers. But their presence in non-agricultural sector is only 12.61%. It also shows that female children are in low paid jobs compared to their male counterparts.

Export Oriented Sector :

Child Labour is essentially a domestic problem and as only approximately 3 to 5% of India's child labour force is engaged in the export sector. Child labour is employed in various industries - non-industries in India. Children are employed in agriculture, brick kilns, domestic work, carpet industry, construction, gem cutting/polishing, sericulture, tea plantations, glass industry, jewellery, prostitution, hotels, occupation in the grain market, match industry, knit-wear, beedi industry, weaving, fishing, and leather industry. Apart from these sectors children are also engaged in non-domestic and non-monetary work, either independently or as part of family labour. The latter situation occurs particularly with migrant families who have left their villages in desperation and moved to the cities. The children of migrants form a very large percentage of the non-domestic, non-monetary child labour force. Among these industries only carpet, tea plantations, gem cutting /polishing, knit-wear and leather industry are export oriented. The number of children employed in these sectors would be a miniscule population of child labour in India.

The fact is, child labour constitutes only 3.6% of the total labour force in India. Nearly 90% of these children work in their own rural family settings. 84.9% of the working children population is involved in traditional activities such as cultivation, agriculture, livestock handling, fisheries and forestry. Only 8.64% work in manufacturing, servicing and repairs. Of this only 0.8% of child labour work in factories.

The list of occupations in the informal, unorganised sector given below is not exhaustive.

- Construction labour
- Couriers
- Domestic workers
- Porters
- Sweepers and waste re-cyclers
- Factories / Workshops

Tanneries
Vendors
Helpers in restaurants, shops, canteens.
Shoe -shiners
Sex-workers

Examples of Home-based industries:

- Beedi-rolling
- Sub-assembling
- Incense making
- Paper - bag making
- Plastic flower making
- Grain cleaning

Papad - making
Block - making
Bindi - making
Gem - polishing
Cotton -Pad shelling
Embroidery

Carpet Industry :

The Carpet Industry in India extends from Kashmir in the North to Andhra Pradesh in the South and Gujarat in the west to Darjeeling in the Eastern state of Bengal. The carpet weaving is mostly done in cottages, in rural areas, all over India.

India's export of hand-knotted carpets grew significantly in recent years from 565 million in 1979 to $229 million in 1983. But following exposure of the abuse of child labour, it declined to $152 million in 1996, the latest year for which complete statistics are available. However this trade continues to depend unduly on massive and abusive use of children as weavers and knotters. The number of children in this industry also grew from an estimated 75,000 child workers in 1980 to 300,000 in 1994. A detailed sample survey of the industry in 1993 by the ILO and the Universities of Minnesota computes the level of child labour as 22 percent of a work force of 600,00 weavers or 130,000 children

Today, floor coverings constitute India's third largest earner of foreign exchange and hand-knotted carpets constitute an importance share of that market. The primary buyers are in the United States, Germany, Switzerland, Canada, Netherlands, Austria, England, Italy and other European countries . (See table below)

Table 1: Indian Hand-knotted Carpet Exports by Major Importing Country, 1993.

Autralia - New Zealand	$2, 402,000
Austria	$2, 283,000
Belgium - Luxembourg	$2, 329,000
Canda	$3, 858,000
Germany	$57, 458,000
Italy	$1,369,000
Netherlands	$3,581,000
Switzerland	$5,731,000
United Kingdom	$1, 085,000
U.S.A.	$86, 378,000
World Total	$152,080,000

In modern times, however carpet weaving came to be considered an unwholesome occupation for children. From the 1930s, restrictions were placed on the conditions in which children could legally work . As long as carpets were a small cottage industry producing for the domestic market, the numbers of children employed outside their own families was small. However, from about 1975 in response to the decision by the Shah of Iran to ban child labour from that country's carpet looms, Indian Prime Minister Indira Gandhi decided to take up Iran's place in the export market by greatly expanding production. " Schools " were established in the carpet producing areas particularly eastern Uttar Pradesh State, under government auspices which soon degenerated into government -run carpet factories and the growing demand for export soon brought a need for increasing numbers of workers to produce the carpets. Recruitment of poor, lower caste and dalit children from the neighbouring areas of Bihar State and elsewhere began to fill the quotas of a growing industry. But this recruitment was often conducted under false promises or coercion and led to abusive forms of bondage and slave labour in which small children were subjected to inhuman conditions and forced under threat of serious harm or starvation to work hundreds of miles away from their families.

The National Council for Applied Economic Research (NCAER) carried out a survey in the year 1994 in the Carpet Industry and found that the child labour component in the carpet Industry accounted for only 7.5% of the total workforce.

The survey also showed that wage-earning segment of child labour in carpets, particularly hired child labour, has declined from 3.6% in 1992 to 2.7% in 1994. The survey also found that the major factor in forcing parents to seek wage labour for their children in the Carpet Industry was their inability to support a large family as over 85% of the hired labour segment of children belonged to families with an average of 9.27 persons per family. The decline of hired child labour only shows that the child labour is pushed either underground or to their family looms.

Campaign Against Child Labour in the Carpet Industry in India :

In 1980 leaders of the Bonded Labour Liberation Front in New Delhi launched a crusade against bonded labour and child servitude in the carpet industry. The eastern end of Uttar Pradesh state in a triangle from Varanasi to Mirzapur and Bhadohi, is the centre of the carpet belt, where it was estimated that several hundred thousand children were at work, mostly under conditions of dismal servitude and bondage.

Over the course of ten years 8,000 children were liberated from the carpet industry out of over 30,000 children liberated together. A number of these liberated children were brought to New Delhi for three month rehabilitation and training at the Mukti Ashram, a residential school of north of New Delhi. There the most active children were prepared for becoming activists in their own communities, the villages and towns in the poverty- stricken districts of southern and western Bihar state, which is considered the " catchment area " for recruiting carpet children.

However, no matter how many children were liberated one by one, others would take their place at the looms unless something could be done to create a disincentive to employ children in the industry as a whole.

International Context :

Globalisation and its Impact :

Globalisation is considered an important element in the Structural Adjustment package prescribed for developing economies by the IMF and World Bank combine. The term globalisation has four broad parameters:

I) Reduction of Trade barriers so as to permit free flow of goods across National Frontiers.

II) Creation of an environment permitting free flow of capital among Nation States.

III) Creation of an environment permitting free flow of technology and liberalisation of the rules governing the international operation of Financial Institutions.

IV) From the point of view of the developing countries creation of an environment in which free movement of labour can take place in different countries of the world.

However the advocates of globalisation limit the definition when it comes to India to the first three - viz unhindered trade flows, capital flows, technology flows blocking out labour flows. This strengthens global capital. The essence of this process in India is the opening up of the national economy to global market forces and a corresponding diminution in the scope of the state to shape macro-economic policies and budgets. Multinational corporation capital far from being anti-statist, demands an activist state, but in favour of global accumulation of capital for MNC's. It also demands dismantling of the Welfare state vis-a-vis the poor.

This is achieved by pursuing policies of lowering wages, implementing social cuts in the Budget, transferring pensions to private capital etc. Structural adjustment policies in India have increased the upward flows of income and the availability of national public property for privatisation to multinationals and the wealthy domestic elites. Globalisation is accompanied by domestic decay, large scale growth of capital accompanied by a goemetric rise in unemployment, poverty, crime and overall human suffering.

World wide Globalisation process has led to an increase in inequities. By the early 1990's the ratio differential in per capita income between the richest 20% of countries and the poorest stood at 65 to 1 and between the richest 20% of the people and the poorest at 140 to 1. Global capital has ensured that more than a billion of the world's people live in absolute poverty.

More than 15 million children die each year as a result of poverty. The global market profit-maximisation thrust threatens the world with an ecological disaster. The tropical forests, already eliminated by more than 40% are disappearing at a rate of 30,000 to 37,000 sq. miles every year as multinational and local corporate timber companies are having a field day under free trade and free market legislation.

Indeed the ecological effects of globalization are strikingly catastrophic. Under the fiscal pressures imposed by capital movements the third world state in particular sells more and more of its public resources - forests, mining and marine resources, natural resources, bio-diversity, water resources and land. In this context the greater the external integration, the greater the exploitation of

natural resources to fuel overseas expansion. External linkages between the third world business houses and the multinationals require vast amounts of capital and, in a dependent capitalist setting like India cheap labour and pillage of natural resources are necessary incentives for accommodation of capital.

Structural Adjustment and its Impact:

The rejuvenating of the economy has created only 7 lakh additional jobs in the organised sector - Private and Public, since the 90's. This paltry addition to employment is to been seen against an estimated annual addition to the labour market of about 80 lakh youth a year. An estimated 2 lakh workers have been retrenched in 1991-94 period through retrenchment called the Voluntary Retirement Scheme or Golden handshake - 75000 in the Public Sector and 1,25,000 in the Private Sector. In Delhi alone, in the name of environment the courts have rendered more than 1 lakh workers jobless with no guarentee of compensation.

Two-thirds of our workers are in the rural sector. During the last 50 years the State Governments have refused to implement various land reforms Legislation. Instead now most of the State Governments have agreed to allow commercial farming, horticulture and floriculture by Corporate interests for which land ceiling laws are being amended or dismantled. Further price increases have turned millions of these daily wages earners into virtual beggars. While the GDP has been growing the real wage growth of unskilled farm labour is on the decline.

Social banking by the nationalised banks has been abandoned affecting the poor peasants. Whatever loans are given now are linked to value of assets and capacity of repayment. Subsidy cuts on fertiliser, diesel and electricity has pushed small and marginal farmers into abandoning their lands and into mass indebtedness.

Social Clauses in Trade:

Growing protectionist policies of G-7 countries on one pretext or the other affecting exports from India have resulted in for example.

- step taken to cut textile exports (accounts for 32% of total export earnings) since strong inroads were being made into the European countries and USA (in the name of Indian skirts being inflammable).

- banning of use of Azo dyes.

- imposition of anti dumping duties which is said to raise cost of fabrics in the exported countries.

- labour standards are linked to trade; US insists on social clause as imports are produced with cheap labour and child labour. This is so especially in carpets, textiles, dyeing and bleaching, garment making, knitwear, leather tanning and goods manufacture, floriculture etc.

Harkin's Bill and International Child Labour Elimination Act of 1997 :

The introduction of " Child Labour Deterrence Act of 1992 " in the U.S. Senate, infamous as Tom Harkin Bill, was clear in its substance in many ways. Its Sec. 2C(2) spelt out the aims and objectives, " To strengthen and supplement international trading rules with a view to renouncing the use of underage children in production as a means of competing in international trade." The 1993 version of the act also outlined its purpose, " Adult workers in the United States and other developed countries should not have their job imperilled by imports produced by child labour on developing countries. Further Senator Tom Harkin remarked, " Our policy towards the third world should promote economic growth with equity and human development because it is in our interest. As the markets expand, so too will American jobs and our exports."

It was not only Senator Harkin, but the developed countries, trade unions and NGOs in those countries together had started demanding the inclusion of social clause in multilateral trade agreements at this time.

Then at the last stage of Uruguay Round of GATT negotiations, the developed countries demanded enforcement of the social clause - labour and environmental standards - through this instrumentality of WTO. But Indian trade union movements and labour support groups overwhelmingly rejected it on the grounds that it is nothing but projectionist, represents the hegemony of the developed and transnational groups and it is an ideological instrument to divide the workers between those of developed and developing countries

Rugmark Initiative - It's Background :

In 1990 consumer awareness campaign was initiated in Germany with the help of trade unions , religious and human rights organisations and consumer groups. The campaign quickly spread to other European countries and the US The impact was significant, causing carpet exports to drop considerably and creating panic among the producers and exporters. It also led to the formation of an important network of development and human rights organisations focused on

child labour. These included Bread for the World, Terre de Hommes and Miserioure in Germany the Child Labour Coalition, the Asian American Free Labour institute the National Consumers League and the International Labour Rights Fund in the U.S.Christian Aid and Anti-Slavery International in the U.K. the India Committees of the Netherlands and Belgium Radda Barnen and BLLF - Sweden, Asia Pacific Workers Solidarity Links, New Zealand and the ICPTU and various international trade secretariats and labour centralise.

It was recognised by these organisations, however that public exposes in the marketing countries could perhaps end or seriously lower the level of child servitude in the making of Indian carpets, but possibly at the cost of generating a consumer boycott that would seriously erode an important export industry and destroy the adult jobs needed to replace the children.

The decline in exports brought about by the European publicity compelled some of the major producer groups, including the All India Carpet Manufacturers Association (AICMA) and the Carpet Export Promotion Council (CEPC), an instrument of the Indian Textile Ministry to seek a dialogue with SACC to settle the problem. A series of meetings followed in 1991, leading to a declaration AICMA in December 1991 that by March 1992 all children would be sent home and in their place adults would be employed with decent wages and facilities. The first joint meeting of representatives of union, ILO industry , CEPC, embassies, NGOs, etc. was convened by SACCS near the beginning of 1992. At that meeting a working group was formed and IGEP took on the leadership of the program.

The working group met frequently until late February 1994. Its membership included IGEP, several exporters including Obetee, E.Hill & Co and representatives from CMAWCL plus NGOs represented by SACCS affiliates. By May, 1993 basic objectives and criteria for certification were established. The name RUGMARK had been chosen for the initiatives. A goal was set of establishing the Rugmark Foundation in time to announce it at the January 1994, Demoter Trade Fair in Hamburg, Germany, the most influential carpet fair in the global rug mark.

The present day Rugmark has an overbearing past as its background, with the powerful projectionist interests in key markets in the North, the conclusion of GATT and its evolution into WTO and, of course, the repeated harping of the demand of inclusion of social clause in the international trade. Thus, Rugmark today primarily operates in the arena of trade and market, for the purpose of just growth and fair trade.

Thus, Indian NGO's movement groups, consumer groups, carpet manufacturers, international organisations like UNICEF and German Agency for Technical Co-operation came together and the result was Rugmark.

Structure of Rug Mark Foundation :

The Rug Mark Foundation is incorporated as Body Corporate under Section 25 of The Companies Act, 1956 as a company not for profit. It consists of a Board of Directors from Association of Carpet Manufacturers, South Asian Coalition on child Servitude, UNICEF, Indo-German Export Promotion Project and German Agency for Technical Co-operation.

Rugmark Foundation came into existence in August, 1994. During the two and a half years of its operation Rugmark issued licences to 144 exporters operating 17,859 looms, while over 4,66, 317 carpets were certified, labelled and put on the market. Most of these are exported to Germany, the world's largest importer of Oriental carpets, and approximately one-third of the carpet exported to Germany bear Rugmark label. A growing number of importers in other countries, including Canada, Netherlands, Switcherland and the United States are asking for Rugmark labelled carpets.

According to the Rugmark Foundation, Rugmark-labelled carpets has its own numbers, identifying the loom and exporter. The labels are prepared individually, corresponding to purchase order of the carpet. The network of controls, is developed on a highly organised fashion. The exporters make available to the RMF a ccmplete list of looms/sources from which they procure their carpets. These lists are regularly updated. All such looms must be registered with Carpet Export Promotion Council (CEPC). After a thorough scrutiny, the lists of the looms, to be visited by the inspectors the next day is prepared by the Rugmark's regional office. The names of the looms appearing in the list for inspections are not disclosed to exporters, loom owners and even inspectors. Next day in the morning a Rugmark official briefs the inspectors and hand over them the lists. Fifteen inspectors divide themselves into seven different teams and start their journey to the looms. Looms are situated in the villages. Many times there are difficulties in locating the looms. Villagers confuse them with Government Labour Inspectors who take bribes from loom owners employing child labour for a favourable report. Even then, they locate the looms and after entering it they check the ditch in the earthen floor behind the loom, to see if any child labour is hidden. If child labour is found, then a report is prepared. If child labour is found then a report is prepared on a format sheet, and sent to its main office in Delhi. In its follow up , the main office asks the exporters either to withdraw the child from the loom or to disengage it. If the loom fails to comply, then it would be decertified by Rugmark.

There are atleast 145 exporters having the license of Rugmark Foundation. Fifteen inspectors - of them four are part time - inspect about 18,000 looms. They inspect about ten percent of the looms every month, Mr.Matthew says.

Rugmark Labels Issued as on Feb. 1997				
Licensees	Total No Of Looms	Looms inspected	Looms with Child Labour	Child Labour Found
144	17,859	15,836	555	942

RMF claims that since its inception, spot checks by 15 Rugmark inspectors in Mirzapur - Bhadohi Varanasi carpet belt and adjoining districts of Allahabad, Sonebhadra, Shahjahanpur, Azamgarh, Jaunpur etc. found 942 children working illegally in 555 looms licensed by Rugmark Foundation (RMF). As of February 1997, 174 looms were decertified ; most of the other looms were able to pass subsequent inspections.

Carpet Industry in India

Status January 1996. (All figures approximate)

Number of looms registered by the CEPC (Carpet Export Promotion Council)	90,000.00
Number of carpet exporters	2,700.00
Number of weavers	1,500,000
Number of children in carpet production official estimate	100,000-150,000
Estimate of NGOs	300,000

RUGMARK INDIA'S Development And Progress

Source : Rugmark Newsletter : As of June 30, 1996

Looms under RUGMARK	13,579
Looms inspected by RUGMARK	7,535
Carpet exporters with RUGMARK	231
Licensees	92
Applicants for a license	139
Looms with illegal child labour, detected by RUGMARK	408
Child labour found by RUGMARK in total, including permitted family based child labour	703
Looms with licenses withdrawn	1[illegible]
Number of carpets exported with RUGMARK label	250,4[illegible]

Rugmark Criteria :

(These Criteria are part of the License Agreement)

In considering every application for license, Rugmark Foundation shall require the applicant to satisfy the following mandatory criteria.

That the applicant is a bona fide dealer, manufacturer of exporter of carpets.

That the applicant has furnished an undertaking to the effect that he is committed to the complete removal of child labour in his carpet production and that his entire production of carpets is free from child labour from the date of application.

That the applicant has furnished an updated list of his sources to Rugmark Foundation for verification. The applicant must certify that the list given is a complete list and that it would be up-dated every 6 months under due intimation to Rugmark Foundation.

That all looms/ loom unit on which the applicant's carpets are being made are duly registered with the Carpet Export Promotion Council.

That the carpets submitted for inspection have been manufactured without the involvement of children under 14 years of age. In cases of ambiguity as to age, respective employer/ loom owner shall furnish an age certificate of the Chief Medical Officer. The foregoing prohibition does not , however affect the loom owners facility to make use of family child labour provided the applicant obtains an undertaking from the source that all such family children under 14 years of age attended school regularly.

In addition to the above-noted mandatory criteria, every applicant for licence shall sign a declaration, unequivocally committing himself to the payment of at least the official minimum wages to the loom - owners. Correspondingly, as a pre-requisite for the validity of the orders placed with the loom owners, the applicant will obtain from the loom-owner a duly sworn affidavit to the effect that

- no child labour is employed
- the weavers are paid at least the official minimum wages.

Upon satisfying itself that the applicant meets the criteria mentioned above and after receiving a satisfactory report from its inspection officers, Rugmark Foundation shall formally enter into a license agreement with the licensee, granting it the right to use the Certification Trade Mark.

Inspection Modalities :

The inspections are to be carried out by (professional) inspectors of Rugmark Foundation.

Additionally to these professional inspectors, the NGOs associated in SACCS may carry out random checks to examine independently the compliance with the certification criteria. For such purpose the loom lists area to be obtained from the Rugmark Foundation. The lists are to be treated confidential and are not to be used for any other purpose than the inspections. After a reasonable period of time the lists are to be returned to the Rugmark Foundation together with the findings of the inspections carried out.

During the inspection of the loom units, the following details are to be assessed; as laid down in the inspection parameters:

a) Name of the loom owner
b) Location of the loom unit
c) Evidence of registration of the loom unit with the CEPC
d) Number of looms
e) Name(s), age and sex of the person(s) working in the loom unit
f) In the case of working children, number, name(s), places of origin and category of the child worker(s).
g) In the case of family child labour evidence of attendance record.
h) Order references and descriptions of the carpets produced
i) Name(s) of the agent(s) or enterprise(s) to whom the carpets are supplied.
j) Weaving charges per square metre/yard received by the loom owner for his carpets.

Every individual loom is to be marked by number plate (with the Rugmark code number for the respective unit and loom) so that it can be clearly identified. During the inspection of the exporters, the following details are to be assessed as laid down in the inspection parameters.

- The sources of the carpet(s) with the Rugmark code number for each carpet.
- The packing lists with the Rugmark serial number for each individual carpet.
- Weaving charges paid per square metre / yard of carpet by the exporters.
- The importer of the shipment, if identifiable
- That there is no mixing of carpets from certified and other sources and
- That there is no multiple use of serial number of unauthorised labelling.

The findings of the inspection are to be recorded and documented in a data base which is to be continually updated and which can be made available at any given

time for the purpose of verification, evaluation and documentation. The documentation of the inspection findings must be elaborate enough to facilitate every eligible carpet to be traced back to the back to the actual loom unit in which it has been produced. Upon applying for a license to use the Rugmark every licensee (i.e. his manufacturing units) is to be inspected and assessed thoroughly regarding compliance with the Rugmark certification criteria. After granting of the license, inspections will be undertaken on random basis.

Should any inspection disclose information not in conformity with the certification criteria, the license shall either correct such deviations within 30 days or shall be required to cease using the Certification Trade Mark forthwith. A licensee may use the Certification Trade Mark only if Rugmark Foundation finds him to be in total compliance with the requirements of the certification scheme and only by means of a combined label bearing a representation of the Certification Trade Mark with an individual serial number for every carpet produced in compliance with the certification criteria. Together with the serial number, every carpet is to be assigned an internal Rugmark code number for registration in the Rugmark data base.

One of the directors of the Rugmark Foundation, Shamshad Khan is also not happy with the inspection system of Rugmark. " The inspection system is no guarantee of checking child labour in the carpet industry. We can check the abuse of child labour in the looms, but what about those children who are engaged in off- loom activities like cleaning, clipping and embossing of the carpets?" asks Mr.Shamshad Khan.

" Atleast 30 percent of the exporters purchase their product from the open market, so they themselves do not know where actually these carpets are woven," - says a carpet exporter. The Regional co-ordinator is not that much sure, " Where the demand is more and the looms are working overtime, then possibly some children might be working in the looms." When asked about the discrepancy, Mr.Mathew says, " Where there is a high demand people work overtime and sometime the work is carried out in the night. How can the Rugmark Foundation then ascertain whether child labourers were used in the loom.

Role of importers and Exporters :

Importers of Rugmark carpets agree to contribute on percent of the FOB price of the carpet. The amount is transferred to UNICEF to be exclusively used for funding Rugmark Primary schools opened in August 1996 in village Jagpur, Bairibisa and Bhadhohi district for 30 children of carpet weavers and Rugmark Balashraya launched in October 1996 at Gopiganj, Bhadohi, as the rehabilitation

centre for 75 to 100 freed bonded children and child weavers. The exporters also pay a fee of 0.25% from the FOB value of the carpet export- which goes towards financing inspections and infrastructure cost.

Rehabilitaion of Children :

Rugmark launched its first rehabilitation project on October 31, 1996 for freed child weavers at Gopiganj in the principal carpet belt of Uttar Pradesh, called Balashrya meaning of ' shelter for children '. Geared initially to accommodate between 75 and 100 children, if facilitates their effective reintegration into the mainstream.

In Balshraya, the children are grouped under class II and IIIrd, according to their age. The younger group has children below ten years of age, while the other group includes children between ten and fourteen years. The juniors receive basic literacy inputs, to acquire skills of reading, writing and arithmetic. Informal discussion on health, hygiene, and social issues, namely on socio-political structure, the legal system, communal harmony, superstition, social evils are also conducted. Children are also trained in various vocations as well as help them build qualities of leadership, discipline and concern for the oppressed and exploited, through intensive counselling and orientation.

Rugmark had identified 942 child weavers and bonded children in 555 looms through its 15 inspectors. Then, it puts up pressures on the manufacturers and loom owners to free the child labour from looms or company premises. After the children is withdrawn from the looms or premises of a company. Rugmark intervenes and ask parents of the freed children to admit their wards in the Balshraya. A letter of consent from the parents are sought before inducting any child to the rehabilitation centre, " says Captain Nautiyal, Administrative Manager, Balashraya.

Rugmark opened its first primary school in August 1996 in village Japur, Bairibisa, Bhadohi. About 250 children of carpet weavers from Jagpur and other nearby villages have been enrolled in the school. Children between six and thirteen years of age spend major part of their day in the school learning and playing. Thus it limits the risk of falling in the trap of the loom owners or their touts. Schooling benefit the children so that they do not end up weaving carpets in the looms. As an incentive for ensuring full attendance in the school Rugmark has introduced free and nutritious mid-day meals. The school also provides them uniforms, free books and stationery. Sudhagusu Shankar Mishra, principal of Rugmark primary school says, " There are three classes in the school. Enrolment

has been according to their age. About 31 children were promoted to class II and 51 children passed on to class I. About 168 out of 250 children are studying in nursery which has a, b and c sections. In our school we plan to introduce class IIIrd, IVth and Vth very soon. Due to space crunch we have to return many children who want to seek admission in our school.

However, Prof. B.N. Juyal, an eminent sociologist whose reports on carpet child labour of Mirzapur - Bhodhohi commissioned by International bodies and quoted in many studies, says " the children accommodated in Rugmark Balashraya were not children in servitude. Rather, they were picked up from family looms. Rugmark aims at opening the floodgate of job opportunities for adult weavers after the withdrawal of child weavers from the looms. But, quite contrary to the assumption in these looms the gaps were filled up by the younger siblings of the freed children who are below 14 years in age. People also say that during the admission of the children in Rugmark primary school a carpet magnate was given the full authority to decide, whom to enrol and whom to reject. "

Arguements in Support of Rugmark:

RUGMARK - the hallmark for reputation and quality:

After intensive preparations, Rugmark Foundation proudly introduces the RUMARK, the trade mark for carpets with good reputation. Rugmark is a voluntary, private and market - oriented initiative to promote good manufacturing practices in the carpet industry and to support the marketing of carpets in Europe and the USA.

RUGMARK creates confidence :

The RUGMARK guarantees the commitment of manufacturing units and exporters to produce their carpets without the employment of illegal child labour. Through the supervision of the manufacturing units by professional inspectors, the RUGMARK Foundation monitors the compliance with its principles and offers a valuable tool to restore confidence.

RUGMARK helps children:

The Rugmark Foundation offers assistance to create good alternative to child labour. With a contribution of at least 1% of the export value carpets which is rendered by the importers additionally to the payments for their consignments,

an important element of the Rugmark initiative is a child development fund for the establishing or support of schools, educational and vocational facilities for children in the carpet producing regions. These projects are carried out under co-ordination of UNICEF by experienced and reliable development organisations which are already successfully working in these areas. Thus the Rugmark initiative can operate efficiently and with a maximum cost effectiveness.

RUGMARK - good for the trade and for the consumers:

The RUGMARK initiative is a concerted effort of carpet exporters and importers, consumers and development organisations. They jointly render an important contribution to remove and avoid child labour. The Rugmark label is a visual proof of good manufacturing practices and offers a specific advantage in the highly competitive carpet business. It is a private, voluntary and non-profit initiative by committed enterprises and citizens to maintain a good reputation of the carpet industry.

Arguements Against Rugmark:

1. The idea of a " Rugmark " for carpets made without child labour is laudable. However the Rugmark is doomed to fail because of the complex nature of carpet production in India. SGS a major multinational company, internationally reputed for industrial and quality certification systems, turned down the offer of the Rugmark Working Committee to undertake monitoring of carpet looms for Rugmark certification. After surveying the Carpet Industry, SGS found that it was " not feasible " to monitor carpet looms for child free certification because of the complex systems of carpet production and the geographical spread of carpet weaving which is done in cottages, in rural areas, all over India from Kashmir in the North to Elluru in the South and Gujarat in the West to Darjeeling in the Eastern State of Bengal . How the Rugmark Foundation can monitor carpet weaving for certification when a major and very professional company, such as SGS, found it impossible to do this ?

2. Rugmark Foundation has neither been able to nor will ever be able to set up a proper, professional and independent monitoring system for genuinely certifying child free carpets. We understand that the Foundation has as yet not even appointed the inspectors necessary for monitoring and inspection of looms in the Carpet Industry. Yet license for use of the " Rugmark " have been granted to some carpet exporters for a small fee of Rs. 5000 (US$ 160)

for a period upto 31st March 1996. One such carpet exporter has more than one thousand looms working for him dispersed over a huge geographical area.

3. Carpets bearing the Rugmark have been displayed and published in Europe and in America, creating a demand for the Rugmark, as a result of which a few importers are already forcing their suppliers in India to become Rugmark Licensees or else their orders would be cancelled. It is under this threat that exporters are seeking the Rugmark License, even when no proper monitoring system is in place.

4. There is no doubt that in time to come the defects in the monitoring system of Rugmark, and the non-genuine certification resulting therefrom , will certainly be exposed by other NGOs and the Indian and International Press, which could have a devastating backlash on the carpet industry in India and the 1.5 million families of artisans involved in this industry, who would then lose their only source of employment.

5. The majority of the Carpet Industry in India, most particularly progressive Indian carpet exporters, do not wish to associate themselves with the Rugmark, unless forced to do so by importers, because they believe that the Rugmark will be a non-genuine certification while illegally employed child labour will continue to work even on Rugmark carpets.

6. It is extraordinary that neither the leading Indian carpet exporters nor the Carpet Export Promotion Council are represented on the Rugmark Foundation. Initially they were on the Working Committee for the Rugmark but later they were unilaterally excluded from the Committee because of their insistence that the Rugmark scheme be formalised and publicised only after a professional, independent and internationally credible agency confirmed that genuine monitoring was possible and agreed to undertake the same. Another reason for their exclusion was because of their very genuine concern about the composition of Board of Directors of Rugmark Foundation where the only NGO was SACCS and other well established and highly respected NGOs, whose interest in child welfare is well known, were not welcome or allowed to join the Working Committee or the Board of the Foundation.

7. The Rugmark does not have the backing or support of the Government of India. The Carpet Export Promotion Council also does not support the Rugmark Foundation. Few excerpts from the Minutes of the meeting taken by minister (textiles) on May 30, 1995 to review the action taken for eradication of child labour in the Carpet Industry will prove the same.

Minister (Textiles) while explaining the measures being undertaken by the Government for eradication of child labour from the carpet industry, stated that IGEP's support to " Rugmark " and the recent statement of the German Minister for Labour in Germany had created a cause of concern to our carpet exporters.

8. The credibility of the "Rugmark " was in question and according to their own version, " Rugmark" was no guarantee against the use of child labour. The support of the German Government to such a labelling system was regrettable. Carpet Export Promotion Council (CEPC), he said , could on the other hand, provide a much better and reliable system of certification. Secretary (Textiles) observed that the " Rugmark " was a partisan approach which has not received the full support of the carpet industry. There was the question of credibility in the " Rugmark ", in as much as it did not have any proper inspection mechanism to certify non-use of child labour in the making of carpets.

Rugmark - Today's Reality :

The heightened awareness against child labour resulting out of Rugmark initiative and campaign, particularly in the principal carpet belt had forced a sizeable section of the carpet manufacturers to stealthily shift their weaving operations to Southern and North western districts of Bihar. Manufacturers from traditional carpet towns of Varanasi, Mirzapur, Bhadohi, Allahabad and Gorakhpur, are sending the work away to Garha, Palamau and West Champaran. Succumbing to social and economic pressures from within and outside the country as a sequel to Rugmark's campaign , the UP Government had been tightening the screws on the carpet industries to avoid employment of children.

Now hordes of carpet manufacturers are going deeper into the impoverished villages of Garhawa, Palamau and West Champaran districts where child labour is cheap and abundant. The manufacturers send older boys to liase with the villagers for setting up looms in their homes. Each loom coast of Rs.4000 which is paid by the manufacturer . The raw materials are provided by the contractors to the loom owners who remain in constant touch with the child weavers. Most of the children working in the looms in Garhwa belong to Dalit, tribal or Muslim communities. Fewer children from these districts migrate to the carpet belt for jobs. The trend clearly stands reversed.

Villages	Looms Employing Child Labour	Number of Child labour engaged.	Child Labour Migrated to UP
Tildagh	15	112	7
Kalyanpur	20	114	5
Peska Pendi	13	111	8
Dulduwa	16	113	3
Kajrath	12	110	7
Tasar	20	117	7
Rezo	12	110	6
Gonda	13	110	3
Bhandar	14	111	3
Manchaiya	18	117	9
Tatidiri	16	113	7
Chirka	17	117	7
Latdagh	20	112	5
Tenuwahi	15	113	3
Palhey	20	119	15
Source : Child Development Project Society (CDPS) Garwa			

Vivekandana Upadhyaay of CDPS says, " It is estimated that about 5000 looms have been set up in hundreds of villages of Garhwa district. Now carpet magnets are spreading their tentacles to the nearby Palamau district too. Most of the children employed in the looms there are from families of poor tribal."

In gagaha - III block of West Champaran district swarms of carpet manufacturers are picking up children for setting up looms in these places. Presently, about 100 carpet looms employing 500 children of Tharu and Munda tribes are functioning there. Sources in Saharasa district point out that carpet manufacturer are making forays into Sarguja and Shadol districts of Madhya Pradesh, adjoining the carpet belt in U.P.

Rugmark is not Appropriate Strategy :

Rugmark initiative is no answer to child labour problem for the following reasons:

1. Child labour - as egregious a practice as it is - child labour in the carpet industry constitute a small part of entire child labour force in India. A 1986 Ministry of Labour study put the figure of child labourers in India at 16.6 million, but estimates based on the number of children not attending school are as high as 80 - 90 million. The UNICEF office in India estimates that the number

of children working in the carpet industry lies somewhere between 70,000 and 100,000 less than 1% of all child labourers in the country.

2. A carpet - focused censured campaign could only achieve a small impact on the overall problem of child labour. Figures suggest that the great preponderance of child labour takes place outside the carpet industry - even outside of the export sectors as a whole. From a purely child labour standpoint, it would make more sense to focus on a sector like agriculture and unorganised sector which employs far more children.

3. It may be difficult to distinguish genuine family-centred production from small commercial looms which operate with bonded child labour. This difficulty, combined with inaccessibility of looms in more remote areas, makes control of hand-knotted carpet production difficult.

4. Primarily a regulatory device, Rugmark can do little to promote development directly. The larger problems of rural poverty and patterns of exploitation which give rise to child labour can only be addressed through other means.

5. Rugmark can offer no absolute guarantee of child free labour. It relies on a system of random, unannounced inspections to deter its licensees from breaking their undertaking to prohibit the use of children on looms under contract. These measures do not guarantee that the carpet is free of child labour. They only prevent illegal child labour in the weaving process.

6. The 'share'of the market held by Rugmark Carpets would need to be high enough that the importers per-carpet contributions could create a fund for rehabilitation or development activities. The Canadian imports of hand-knotted carpets from India, would represent $77,250 per annum, which is not a significant fund to create a change.

7. Hard evidence of the impact of Rugmark on the released children's life prospects is not yet available. Children now displaced from carpet manufacturing as a result of Rugmark, unlike carpets are not registered and whether they are better-off as a result of no longer working in the carpet industry is not known. The pre-occupation with carpets has not yet been transferred to children.

8. Labels help consumers choose between two or more similar products(detergents, brands of coffee, etc.) but since hand-knotted carpets are typically very individual pieces, the basis for comparison and for the label to tip the balance in favour of one carpet- is not really there.

9. By themselves, commodity labels are seldom a comprehensive solution, and they carry the risk of not only unsubstantiated claims but of imposing an overly simple logic on complex problems. The challenges is to combine the demand for consumer choice with wider measures to improve public understanding of complex problems. In the case of child labour a potential problem is that consumers might interpret a label to mean ' no to child labour', whereas it might only guarantee on illegal child labour.

10. The solution to the problem of child labour, especially the most exploitative forms, goes well beyond labelling of products in the export trade. Both the number of children involved and the variety of industries using child labour are such that export oriented labelling can only affect a very limited number of exploited children.

11. Rugmark primarily operates in the arena of trade and market, for the purpose of promoting trade and capital. Trade and capital while wanting to protect itself, comes out with this social clauses. While referring to the impact of globalisation earlier we have made it clear that while the opening of the national economy to global market forces there is a corresponding reduction in the scope of the state to shape macro-economic policies and budgets.

12. Rugmark is still largely experimental based on assumptions about the influence of regulatory measures in an industry which has been able to avoid regulation for many years.

13. At present's it is not known how a consumer based movement can be sustained, nor whether it can and contribute to social change. Rugmark can heighten public awareness of child labour and possibly the removal of children from the carpet sector, but the question remains is this enough? Focus on a mix of preventative and rehabilitative interventions with far reaching effects are need of the hour.

Campaign Against Child Labour (CACL) :

The CACL was initiated in November 1992 as a nation wide effort seeking eomplete eradication of child labour. It aims to create an environment towards eradication of child labour, and involve several people from different backgrounds such as grassroots organisation working on child labour, Child Rights organisations, human rights bodies, media agencies, judicial authorities, academics, trade unions, women's groups, corporate institutions and sensitive citizens, in the efforts towards eradication of child labour.

Objectives of the CACL include:

- mobilisation of public opinion through media based awareness programmes.
- ensuring diversity of constituents to the Campaign and linking with other issues, movements,
- highlighting violations and abuse of children through intervention in specific cases,
- examining implications of national and international initiatives on child labour,
- popularising the U.N. Convention on the Rights of the Child, 1989, and ILO Conventions on Child Labour.

In the past four years CACL has been involved in building a network among organisations keen to work on the issue; creating awareness by utilising the media; strengthening grassroots efforts; building alliance with other movements; highlighting instances of abuse of children as violation of laws relating to child labour, reviewing present conditions including policies, programmes and legislation that influence and impact on child labour, etc. Presently CACL is active in 12 state, with involvement of seven hundred groups individuals.

CACL has been conducting State and National Convention once in two years to highlight the evils of child labour with the participation of children in workforce. First National Convention was held at Chennai in December 1994. 1000 children working in different sectors of employment came together from different parts of the country and it was an experience of sharing and understanding themselves and a three days off from their drudgery of employment. The second National Convention was held at Delhi On March 30, 31 & April 1 1997. Before the National Convention all the State units of CACL conducted State level Convention and a public hearing with eminent people from different walks of life as Jury. Similarly at the National level also a National Public Hearing with 12 eminent people at National level including two retired judges of the High Court, former foreign secretary, former secretary, ministry of labour, an editor of leading English magazine, Supreme Court lawyers, Retired officials from the education department, Chairman of the Committee appointed for revising the school curriculum. 10 children working in different sectors, organised an unorganised deposed before the Jury, their conditions of work, their family background and the cause for their condition. Based on their depositions and other materials the Jury gave the following verdict:

" On the basis of the deposition by child labourers, the presentations by CACL and other information made available to us we recommend.

1. that no child should be made to work in any capacity as a labourer till the completion of 14 years of age.

2. that free, compulsory, relevant and quality elementary education should be provided to all children and that State laws be enacted for this purpose.

3. that in connection with quality education for all the Report of the National Advisory Committee , " Learning Without Burden" (1993) be implemented.

4. that special measures be taken to safeguard the well-being of the girl child in the matter of schooling and in society.

5. that the Child Labour (Prohibition and Regulation) Act, 1986 should be amended to prohibit the employment of children upto the age of 14 in all sectors, including employment in private dwelling houses or employment carried on with the aid of the family and generally to fulfil India's commitment under international instruments.

6. that the recent Supreme Court judgement in M.C.Mehta Vs. State of Tamil Nadu (1996) should be strictly enforced and that citizen's groups should be actively involved.

7. that the distinction between 'hazardous' and 'non-hazardous' occupations obtaining in the 1986 Act and in the Government of India policy should be done away with as all employment of children is per se hazardous to the well-being of the child.

8. that an adequate and effective social security system should be put in place as a measured step towards preventing children from being driven into child labour.

9. that the Government of India and State Government should undertake a comprehensive survey of child labour in all sectors, organised and unorganised and that this should lead to the early formulation of a comprehensive policy to end child labour.

10. that there should be community involvement in the measures for the development of the child and the elimination of child labour at the level of the panchayats and

11. we regard child labour as essentially a domestic problem and since the recent initiatives to include a Social Clause in Multilateral Trade Agreements are designed merely to serve the protectionist interests of developed countries, they should be resisted.

While we believe that the above recommendations will go a long way in eliminating the obnoxious practice of child labour, we emphasise the need for a broad and integrated approach including measures in the areas of health, nutrition, child care, employment, housing, enforcement of minimum wages and land reform. "

Other Strategies:

While taking note of the verdict given by the National Jury mention above, CACL and committed individuals propose the following strategy for the elimination of Child Labour in India:

⇒ To the cause of eliminating child labour there is urgent need to build a sustained campaign for fee, qualitative and compulsory education for all the children in the country. It should be the mandatory duty of the state to provide this education. Compulsory elementary is considered a very important strategy for the elimination of child labour. In this context the public education system needs to be Qualitatively improved with more schools, infrastructure and teachers to attract retain an develop the knowledge of children .

⇒ A critical interaction with government on the planning, decision making and mplementation of their policies and programmes regarding child labour elimination. Efforts should be made to monitor gobernment policies and programmes as against the rights enshrined in the Indian Constitution, the UN Convention on the Rights of the Child and other International Legal Instruments.

⇒ In the light of the structural changes and decentralisation of power as laid out in the Constitution 73rd and 74th amemdment we propose that these local government institutions be made important monitoring bodies for elimination of child labour ensuring free qualitative education for all children creating awareness and motivating parents form sending in the children to work or engaging them in household based work at the expense of their childhood, development and education.

⇒ Organisations working with child labour should call for India's unconditional ratification of Art 32 of the UNCRC. NGO's , Trade Unions, Academic

institutions need to jointly contribute to the process of the Alternative Report to the UN Committee on Rights of the Child. This would provide the scope for continuos monitoring of Rights of children in the country and would strengthen the efforts for elimination child labour.

⇒ In evolving and popularising strategies it is crucial to listen to what child workers are advocating, involving child workers in various programmes and enabling their association for asserting their rights. The right of children to freedom of expression and association enshrined in the UN Convention must be promoted and protected.

⇒ We suggest the formation of vigilance committees or Action Committees, which are of multisectoral representations of NAGO's, Trade Unions, Journalists, Lawyers, enforcement authorities etc., who would identify child labour in particular region and appropriately evolve strategies for elimination of child labour in that particular area. Together with this is the need to set up special courts for childlabour cases in atleast areas with high concentration of child labour, to enable access to speedy justice, initiate penal sanctions against employers.

⇒ The constitutional framework to support the strategy for the elimination of child labour needs to be evolved and consolidated. There is the urgent need for a total statutory ban on child labour. In the light of this the 1986 Child Labour Act which is yet to be implemented. We need to take cases of violation of the existing law to the courts. The Factories Act must be stringently enforced. NGO's and social activists need to co-ordinate with enforcement authorities and lawyers for the effective enforcement of legislation.

⇒ The strategy for elimination of child labour should also include the effort for a right to work and for enforcement of minimum wages for adult workers in the unorganised sector. Work towards a social security package inclusive of health, education, provident fund, pension etc for all adult workers in the unorganised sector.

⇒ The strategy for elimination of child labour should consider being more geographic specific rather than only occupation specific. Due to the marginalisation of peasants, alienation of lands, non implementation of land reforms, and export oriented shift in agriculture lakhs of peasants and agriculture labour migrate to a point of employment and are often compelled to send their children to work rather than to school.

⇒ Trade unions working with organised and unorganised sector workeres have a major role to play in th elimination of hcild labour. It is necessary to

campaign with trde unions for them to take an open and clear stand on the elimination of hcild labour.

⇒ We against all forms of child labour. In evolving strategies for the elimination of child labour special attention should be given to empowering of the girl child who bears the burnt of economic expolitation in the home and the work place and negative social norms and cultural biases.

⇒ In the context of the adverse impact of the Structural Adjustment Programme and the implementation of the Gatt Treaty the conditions of children are going to worsen. We need to urgently organise campaigns and resistance to those policies and their implementation that worsen libelihood conditions and transgress the rights of children.

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A Brief History of the Labour Behind the Label Coalition

By Bob Jeffcott, Maquila Solidarity Network

Background

The Labour Behind the Label Coalition is a Toronto-based coalition of labour, community, overseas development, solidarity and religious groups supporting garment workers efforts to defend their rights and improve their wages and working conditions. We do so by promoting fair and ethical employment practices by retailers, contractors and sub-contractors and ethical buying practices by consumers and bulk purchasers.

The Coalition was formed in the spring of 1996 after the successful conclusion of the GAP campaign, which was coordinated in Canada by the Maquila Solidarity Network and the Ontario District Council of the Union of Needletrades, Industrial and Textile Employees (UNITE). Encouraged by the growing public interest in the issue of sweatshops and by the positive response by this particular retailer to an effective public campaign, we decided to try to apply some of the lessons from the GAP campaign and from the earlier work of the Coalition for Fair Wages and Working Conditions for Homeworkers to a new initiative focusing on Canadian retailers. We wanted to explore various strategies and pressure points to make retailers accountable for sweatshop abuses and governments responsive on the sweatshop issue.

Although the Coalition has been involved in international campaigns, such as the Nike campaign coordinated by Development and Peace and later by the Maquila Solidarity Network, and in efforts to pressure the Canadian government to address off-shore sweatshop abuses, our primary emphasis has been on improving standards and working conditions of homeworkers and contract shop workers in Canada.

The following groups are currently members of the Coalition: Development and Peace; Pueblito Canada; the Ecumenical Coalition for Economic Justice; the Canadian Autoworkers (CAW); the Union of Needletrades, Industrial and Textile Employees (UNITE) and the UNITE Ontario District Council; CUSO; OXFAM-Canada; Ten Days for Global Justice; Workers Information and Action Centre; Parkdale Community Legal Services; Ontario Public Interest Research Group (OPIRG U of T); and the Maquila Solidarity Network. (Although the Coalition is Toronto-based, many of the member organizations are national.)

The Coalition has also worked in close collaboration with the Toronto Homeworkers Association, which is affiliated with the UNITE Ontario District Council, and with UNITE's new Sweatshops Campaign coordinator. The Maquila Solidarity Network acts as the national and international outreach office and the education program coordinator for the coalition.

To date, the Coalition's activities have included:

- circulating a questionnaire on production practices to 40 major Canadian retailers;

- organizing meetings with two retailers that responded positively to the questionnaire to discuss ways to ensure that their garments are produced under humane conditions;
- co-sponsoring three public forums in Toronto on the spread of sweatshop conditions in Canada and off-shore and what consumers and citizen's groups can do about the problem;
- developing a *Wear Fair Charter for the Fair Treatment of Garment Workers*;
- training coalition volunteers to act as speakers and resource people for educational programs and workshops with schools, church groups, unions and community groups throughout Southern Ontario;
- establishing links with community-based groups in cities across Canada interested in participating in "Wear Fair" campaigns;
- developing the *Wear Fair Action Kit*, 2,000 copies of which have already been distributed to schools and community-based groups across Canada and in other countries;
- participating in numerous media interviews and acting as background resource people for television, radio and print media;.
- involving groups across Canada in a campaign to encourage the Woolworth Northern Group to address violations of the Ontario Employment Standards Act by some of their Metro Toronto contractors;
- participating in the on-going campaign to encourage Nike to ensure its contractors abide by its code of conduct and accept independent monitoring;
- collaborating with the Canadian Labour Congress (CLC) in initiating an Open Letter to the Federal Government signed by 16 national church, labour, NGO, and citizen's groups, calling for a federal taskforce on sweatshop abuses in the apparel and footwear industries;
- launching a Citizens' Petition calling on the government to establish a federal task force on sweatshop abuses; (Signed petitions will be presented to the government in early March.)
- organizing several store actions in Toronto -- including two successful public/media events outside of the Eaton's Centre: a Sweatshop Fashion Show in June and a holiday Sweatshop Carolling, in which Santa released his list of Naughtiest Retailers of 1997.

The Wear Fair Charter and the Issue of Monitoring

In our first six months as a coalition, we spent a great deal of time discussing possible strategies to both pressure and encourage Canadian retailers to take responsibility for labour rights and Employment Standards violations of their contractors, both off-shore and in Canada. At that time we thought we might be able to move ahead fairly quickly with a two-pronged strategy, the proverbial carrot and stick approach.

In our original vision of the Wear Fair campaign, the "carrot" approach would involve surveying retailers about their contracting practices, developing a Wear Fair charter outlining core labour rights for garment production workers, dialoguing with the more progressive retailers and requesting that they sign on to the charter or at least commit themselves to parts of it, and, over time, developing a monitoring system and a Wear Fair label. The "stick" approach would involve researching labels to determine which high profile Canadian retailers were sourcing from contractors using sweated labour in Canada (if possible making a connection with violations by off-shore contractors),

dialoguing with the retailer(s) about correcting the situation, and if necessary, launching a public campaign.

Although we had not anticipated an overwhelming response to our retailer survey, we were surprised at how few retailers were willing to answer the questionnaire or respond to follow-up phone calls. Out of the 40 retailers surveyed, only three completed at least part of the questionnaire: Cotton Ginny, Tristan & Iseut Inc., and a small retailer called "For World Spirit". A fourth company, which requested anonymity, agreed to be interviewed by a church-affiliated member group in the Coalition. Another company, Dylex, responded to a follow-up phone call, but declined to respond to the survey questions once they realized that UNITE was part of the Coalition.

Of the three completed questionnaires we received, the most positive response came from Cotton Ginny. In an exploratory meeting with officials of the company in the fall of 1996, they expressed interest in the idea of a Wear Fair label and their willingness to explore the possible monitoring systems. However, although Cotton Ginny claimed it had a policy on workers rights and that their policy included freedom of association, their "Ethics Policy on Workers' Rights" is a general statement of principles rather than a code of conduct, and it makes no specific reference to freedom of association. Although we provided them with a copy of the GAP's "Code of Vendor Conduct", to date we have not pursued the question of a code of conduct and monitoring system..

In its "Subcontractor and Homeworker Disclosure Statement," Cotton Ginny requires its suppliers to "provide information ... about contractors, subcontractors, and homeworkers" and ensure that production workers are paid "a piece rate calculated to meet or exceed statutory compensation and benefit requirements." The statement gives Cotton Ginny the right to cancel purchase orders "should the information furnished by the supplier prove to be false or misleading and charges be filed by any government or law enforcement agency, or cause the Company to be picketed or protested against by any group." Obviously, this statement is intended more to avoid liability for violations by contractors rather than to take responsibility for correcting those violations.

During this same period, the Coalition was also involved in developing the Wear Fair Charter and preparing to launch a public campaign targeting the Woolworth Northern group.

The Wear Fair Charter

Developing the Wear Fair Charter turned out to be a much lengthier process than we anticipated. First there were differing views on how we wanted to use the charter, and therefore what the tone and content should be. If our main objective was to get retailers to sign on to the charter, then we needed to use language and include only narrowly defined core rights that they might be more likely to agree to. If we saw it as a bargaining tool and only expected retailers to agree to some of the terms, then we would want tougher language and more detailed demands. If we saw it primarily as a public educational tool, we would want clear and simple language that would be understandable by people with little familiarity with labour rights issues.

Other considerations that made work on the charter difficult were: 1) that we wanted a document that addressed both the rights of factory workers in off-shore export processing zones and the rights of non-standard workers -- homeworkers and contract shop employees -- in Canada; and 2) we wanted to address the gender specific issues facing women garment workers, which are often ignored in discussions of core labour rights.

Another major issue was the whole question of monitoring compliance with the charter. While coalition members had little trouble accepting that independent monitoring might be a viable strategy in jurisdictions where legislation was inadequate and/or ministries of labour were not enforcing the law, many people feared that promoting independent monitoring in Canada could play into the deregulation and privatization agendas of conservative provincial governments. As well, given the complex subcontracting system of garment production in which violations were becoming the norm, we were all too aware of how difficult and expensive independent monitoring in Canada would be. (Although we never fully resolved this issue, we included language in the charter that referred to ministry of labour involvement.)

Given the poor response we received to our retailer survey, we began to think that the idea of a Wear Fair label might be a bit premature, and that more public awareness and pressure on retailers was needed to create a political climate in which a positive label would be a serious option. As we discussed and debated these issues, we also began to see the potential for the use of the charter by local citizens' groups to pressure public institutions to adopt ethical bulk purchasing policies. As well, we were then in the midst of a public campaign to pressure the Woolworth Northern Group to clean up sweatshop practices by some of its contractors in Metro Toronto, and that campaign naturally became our main focus.

Ultimately, we began to see the charter primarily as an educational tool (at least in the short term), but one that would go beyond core labour rights to include provisions addressing specific problems of homeworkers and contract shop employees, the gender specific problems of women garment workers, and issues around information access, monitoring and enforcement. We also began to see the charter as being one tool in an education/action kit for local groups organizing around sweatshop issues. The kit, which was published in September 1997, has been distributed widely to schools, church, labour, and community groups across the country, and we are now going into our second print run. In order to train groups on how to make use of the charter and other tools in the kit, we are planning a series of train-the-trainer workshops in the coming year.

Woolworth Campaign

Simultaneous to our initial work on the Wear Fair Charter and the distribution of our retailer survey, the Ontario District Council of UNITE and the Homeworkers Association were carrying out research on labels that Association members were sewing for in Metro Toronto. Using a "labels sheet", the homeworkers were asked to identify the labels paying the worst piece rates. Many pointed to the two loons on the Northern Reflections logo.

Further research revealed that Northern Reflections, Northern Traditions and Northern Getaway stores were all owned by the US multinational Woolworth Corporation. Label research by Coalition members at Northern Group stores showed that clothes under their label are also sewn in Taiwan, Hong Kong and China. Months later, we would learn that Norther Reflections and Northern Getaway clothes are also being sewn in Nicaragua's free trade zone.

Additional interviews confirmed that many women sewing clothes in Metro Toronto for the Woolworth Northern Group labels either at home or in small contract shops were receiving the equivalent of $4.50 an hour, 65% of the minimum wage. (Under the Employment Standards Act, homeworkers are entitled to 10% above the minimum wage.) In at least one case, homeworkers were receiving $2.50 an hour. Nor were the homeworkers and contract shop workers interviewed receiving statutory benefits, such as vacation pay, statutory holidays or overtime pay. In heavy production periods, women were working up to 12 hours a day, six days a week with no overtime pay. Their employers were not making EI or CPP contributions.

In August, 1996, the Coalition sent a letter to Woolworth requesting a meeting to discuss violations of the Employment Standards Act by some of its Metro Toronto contractors. We received no reply. In September, UNITE and the Homeworkers Association staged a "sweatshop fashion show" during provincial hearings on proposed changes to the Employment Standards Act. The fashion show, which received extensive media coverage, highlighted the violations by Woolworth contractors. Two weeks later, Woolworth called to set up a meeting.

In our October meeting with Woolworth management, we proposed that the company join with the Homeworkers Association-UNITE in requesting that the Ministry of Labour conduct an audit of all Woolworth Metro Toronto contractors. When they refused, we proposed that they share with us the names of their Metro Toronto contractors, and in exchange we would provide information on the contractors that we knew were violating the Employment Standards Act. Woolworth also refused to exchange this information. Significantly, there was no discussion at the meeting of a code of conduct or independent monitoring.

In an exchange of letters following the meeting, Woolworth agreed to meet with the homeworkers and contract shop workers whose rights had been violated, and to carry out an internal investigation of alleged violations. We agreed to provide the names of two contractors as a test case. In December, Woolworth executives met with the workers and heard their stories. The workers and the Coalition urged the company to report back after their investigation, and not to take any actions that might jeopardize the workers' employment.

When Woolworth reported back on their investigation, they stated that they were no longer using one of the contractors (for reasons unrelated to labour rights violations) and that they would not be placing future orders with the second contractor, Well Trend, and its subcontractor, Unité Fashions. (Well Trend is a "jobber" that contractors out work for Woolworth and other retailers.) Woolworth refused to release any information on the results of their investigation or to compensate the workers whose rights had been violated. We have received no evidence to indicate that Woolworth ever

carried out an investigation. As with Cotton Ginny's Subcontractor and Homeworker Disclosure Statement, Woolworth policy regarding violations of the Employment Standards Act by its contractors is to avoid liability rather than working with the contractor to ensure compliance.

In a April 10, 1997 letter to Woolworth, the Homeworkers' Association - UNITE stated: "Instead of trying to solve the problem, you are only putting the homeworkers and contract shop workers into a more and more difficult situation. Cutting off Unité's contracts is a very bad example. Homeworkers and contract shop workers will be even more afraid to complain when their employers break the law ... because ... if they complain, they will only end up losing their work. Do not cut off contacts to Unité Fashions. Instead, you should work with them to improve conditions there and make sure they follow the labour law and pay workers properly."

During the December Christmas shopping period and in the months that followed, the Coalition mobilized groups and individuals across Canada to write letters to Woolworth, leaflet Northern Reflections, Northern Traditions and Northern Getaway stores and organize meetings with local store managers. Woolworth response to the campaign and to negative media coverage has been to retreat into a bunker mentality and adopt a narrow, legalistic interpretation of their responsibilities. In recent months, they have refused to respond to media requests for interviews.

Although UNITE and the Homeworkers Association have documented new violations of the Employment Standards Act by other Metro Toronto Woolworth contractors, the affected workers are understandably reluctant to bring formal complaints to the Ministry of Labour, or to expose the names of the contractors to Woolworth or to the media. The consequences of pursuing any or all of these channels would likely be a loss of work. For the Coalition and the Homeworkers' Association, the experience of attempting to work with Woolworth to remedy violations by their contractors reenforces our believe that retailers can not be trusted to monitor labour practices in their own subcontracting network.

Interestingly enough, a partial victory in the Woolworth campaign was achieved with the cooperation of a contractor, Unité Fashions. As a result of negative publicity surrounding the Woolworth case, Unité felt it was in danger of losing contracts with other major retailers. It contacted UNITE and the Homeworkers Association and requested a meeting. Through UNITE's intervention, another major retailer, Braemar, was convinced to continue placing orders with Unité. In return, Unité has pledged to take necessary steps to bring its labour practices in line with all provisions of the Employment Standards Act. Although the results of this experiment are not yet certain, it may suggest another strategy to improve labour practices in the contract chain of production. In this particular case, the Advisory Committee for the Ladies' Dress and Sportswear Industry is playing a monitoring role in a voluntary effort by Unité to be recognized as a model manufacturer. (In this case "model" means abiding by the law.)

Despite Woolworth's current hard-line postufe,' the Coalition is committed to continuing the campaign and is looking at new strategies to bring additional pressure on the company. Although we still haven't achieved significant improvements in Woolworth's practices, we feel that the campaign

has been very successful in bringing public attention to the fact that sweatshop abuses do exist in Canada and that they are tied to major retailers. The Woolworth example has been and will continue to be useful in pushing the federal government on the need for a taskforce on sweatshop abuses.

Corporate Sponsorships and Bulk Purchasing Policies

The involvement of the Coalition and the Maquila Solidarity Network in the Nike campaign has alerted us to the potential for organizing around the issues of corporate sponsorships of athletic programs, particularly on university campuses, and linking that issue to bulk purchasing policies. We have already received requests for information on Nike's production practices from student groups on at least eight university campuses who are concerned about Nike sponsorships.

While some student groups are opposing corporate sponsorships in principle as a bad substitute for public funding and part of the increasing influence of corporations over the education system, others, particularly those in the US, are now demanding that universities develop ethical criteria for evaluating corporate sponsorships and, in some cases, for making decisions on bulk purchases of apparel, sportswear and sports equipment. Although this approach is fairly new on Canadian campuses, the Wear Fair Charter could be a useful tool for student groups in developing proposals for ethical criteria.

Of course, the difficult question, which we are asked constantly, is what companies are currently adhering to ethical criteria in the production of apparel, sportswear and equipment. Unfortunately, there are few if any positive examples. Our hope is that campus groups will see the value in dialoguing with apparel and sportswear and equipment companies in order to pressure for improved practices, and that companies will begin to compete with each other for the ethical niche.

Campaigns around corporate sponsorships and bulk purchasing policies are not confined to university campuses. We have also received requests for information from community organizations receiving Nike sponsorships. In Edmonton, a labour/community coalition has been lobbying city hall to refuse a Nike sponsorship of a street hockey program. In Victoria, a Central America solidarity group is lobbying city hall to adopt a policy opposing the sale of apparel in their community that is produced under sweatshop conditions.

This approach is more developed in the US. In Olmstead, Ohio, City Council has established a bulk purchasing policy against "purchasing, leasing, renting or taking under consignment goods for use or resale at city-owned enterprises which were produced under harsh sweatshop conditions." In New Jersey, the Catholic Archdiocese has adopted a policy of not purchasing school uniforms or other apparel produced under sweatshop conditions.

A Federal Taskforce on Sweatshop Abuses

On October 2, 1997, the Labour Behind the Label Coalition joined with the Canadian Labour Congress, UNITE, the Social Affairs Commission of the Canadian Conference of Catholic Bishops, NAC, the Council of Canadians and 10 other organizations in calling on the federal government to "convene a federal taskforce on sweatshop abuses that includes representation from retailers,

manufacturers, unions, and religious and human rights groups to begin dicussions on how to guarantee respect for basic worker and human rights in the clothing and footwear industries."

Since the release of the open letter, the Coalition has been circulating a petition making the same demand. We will soon have collected 10,000 signatures. In March, the Coalition, UNITE and other supporting organizations will be presenting the petition to the federal government.

Although the release of open letter was timed to coincide with the October 4 "Day of Conscience to End Sweatshop Abuses" in the US, we don't see ourselves as being bound by the terms of the US Apparel Industry Partnership accord. Although the negotiation of a multi-company or industry-wide code of conduct and independent monitoring system is one possible option, the Coalition is proposing that a taskforce consider a number of different ways to challenge sweatshop abuses, including government policy and legislative solutions to make retailers and manufacturers more accountable and information more available, as well as voluntary codes and monitoring systems.

Research that will feed into this process includes a research project by the Maquila Solidarity Network on policy options to address sweatshop abuses, and research being carried out by the UNITE Sweatshops Campaign coordinator on sweatshop practices in Canada. One major area of research that needs to be pursued is documentation of production practices by contractors in Asian export processing zones producing for Canadian retailers.

We see the petition as a first step in an on-going campaign to pressure the federal government to seriously address the growing problem of sweatshop abuses in Canada and other countries in the production of apparel and footwear sold in Canada.

Conclusion:
The Labour Behind the Labour Coalition is exploring a number of different strategies and combinations of strategies to challenge sweatshop abuses in the production of apparel and footwear sold in Canada. These include: dialogue with retailers and manufactures, public campaigns to expose sweatshop practices and demand retailer accountability, lobbying of federal and provincial governments on policy and legislative solutions, promotion of citizen action re. corporate sponsorships and bulk purchasing policies, and building a broad-based network of local groups involved in on-going education and action on sweatshop issues. Although we have so far not been directly involved in shareholder action, we see that work as complimentary to ours, and we may become more active in this area in the future.

Although the formation of the Coalition came about after a successful campaign which achieved independent monitoring of a retailer code of conduct, we have serious questions about the viability of independent monitoring in the Canadian context. While codes of conduct and charters can be useful educational tools and pressure points to force retailers to be more accountable for the actions of their contractors, we're clear that codes of conduct even with real independent monitoring are not the whole solution to the problem of sweatshops.

Given the reluctance of Canadian retailers to take responsibility for the sweatshop practices of their contractors and the difficulties involved in monitoring labour rights violations in the maze of subcontractors, we now see the possibility of developing a positive Wear Fair label as a longer term objective which would only be possible when there is sufficient public awareness of sweatshop practices and sufficient pressure on retailers that some see the advantage of marketing their products as ethically produced. This doesn't negate the viability of particular small labelling projects such as one currently being investigated by the Homeworkers' Association around the possibility of a label for apparel produced by their members under legal and humane conditions. It is also interesting to note that during a recent visit to El Salvador, a member of the Independent Monitoring Group talked about their long-term objective as being creating a climate in which maquila owners and the Salvadoran government began to see the advantages of being able to market clothes produced in El Salvador as being produced under humane conditions.

Whether or not a Wear Fair label is viable strategy, we are clear that our long-term objective is not just to give consumers ethical shopping choices, though that certainly would be an achievement, it is to create a political climate in which retailers see it to be in their interest to ensure that their products are made under humane conditions, in which governments feel compelled to adopt policies and implement legislation making retailers and manufacturers accountable for sweatshop production practices, and in which garment workers have both the political space and sufficient allies to organize themselves and improve their conditions.

Although this paper is based on my experience as a member of the Labour Behind the Label Coalition, the analysis presented is that of the Maquila Solidarity Network.

The Forest Stewardship Council's Certification Program
Background Paper

Introduction

Certification of forest products and management practices is still a relatively new process that emerged in the late '80s after calls for boycotts of the use of certain wood products. A certification program aims at linking the environmental and/or socially conscious consumer to producers willing to incorporate into their management practices those concerns. Implicit in a certification program is that: consumer purchasing decisions can be influenced by differentiating products based on the environmental and social concerns; producers practices can be influenced by market driven incentives borne out of such concerns; increased price and/or market share will provide producers a sufficient margin to adopt improved management practices (Cabarle, 1994).

The Forest Stewardship Council (FSC) is an international, independent, non-profit, non-governmental organization. Its mission is to promote environmentally appropriate, socially beneficial and economically viable management of the world's forests. It does so through a voluntary accreditation program for certification of forest management (FSC (a) 1994). The FSC was founded in 1993 by a diverse group of representatives from environmental institutions, the timber trade, the forestry profession, indigenous peoples' organizations, community forestry groups and forest product certification organizations from 25 countries. This diverse group developed the FSC's Principles and Criteria which applies to tropical, temperate and boreal forests. They cover broad issues such as land tenure, the reduction of environmental impacts, optimal utilization of forest products, and written management plans. The Principles and Criteria are intended to be used as a guiding framework for developing standards which are appropriate to local social, ecological and economic conditions.

The FSC's main functions are to accredit and evaluate certification bodies worldwide and to support the development of national and regional forest management standards and certification initiatives. The National Initiatives Program decentralizes the work of the FSC and fosters local involvement in the development of national or regional standards. Through its accreditation program, the FSC evaluates, accredits, and monitors forest product certifiers in order to ensure that marketplace claims carry a consistent and reliable set of values, as defined by clear principles and criteria. These two programs are at the heart of the FSC and represent the link between local conditions and global demands. These programs make the FSC Certification Program flexible and responsive to local ecological, social and economic circumstances, while at the same time, provide a worldwide recognized label that assures consumers that wood products come from a well managed forest.

The FSC framework recognizes that the realities and needs of forest management change from country to country, from region to region. The inclusive and transparent manner in which the FSC operates offers a promising and practical alternative to define what good forest management is and to communicate this message effectively to increasingly environmentally and socially concerned consumers worldwide.

The Forest Stewardship Council

After three years of extensive consultation worldwide with a broad range of stakeholders, the Forest Stewardship Council (FSC) was established in 1993. The FSC is a membership association with more than 200 members from about 37 countries. Membership is open to a wide range of organizations and individuals representing social, economic and environmental interests. FSC decisions are made by voting and each chamber (economic, social and environmental) receives equal weighting of one third.

The FSC has been set up to oversee a credible process of independent certification of well managed forests. This role is achieved through an accreditation program for certification organizations. Forest certification involves an assessment of forest management operations against ecological, social and economic standards. The products from any forest or plantation certified under this process would then be eligible to carry a label in the shop or yard where it is sold ensuring it has been sourced from such a forest.

Its mission is to promote environmentally appropriate, socially beneficial, and ecologically viable management of the world's forests.

1. Environmentally appropriate forest management ensures that the harvest of timber and non-timber products maintains the forest's biodiversity, productivity, and ecological processes.

2. Socially beneficial forest management helps both local people and society at large to enjoy long term benefits and also provides strong incentives to local people to sustain the forest resources and adhere to long-term management plans.

3. Economically viable forest management means that forest operations are structured and managed so as to be sufficiently profitable, without generating financial profit at the expense of the forest resource, the ecosystem, or affected communities. The tension between the need to generate adequate financial returns and the principles of responsible forest operations can be reduced through efforts to market forest products for their best value (FSC (a) 1994).

Accreditation Program

Accreditation refers to the process of evaluating, endorsing, and monitoring organizations that independently conduct forest management assessments and chain of custody audits. The FSC is a "certifier of certifiers". The role of accreditation is to provide a credible assurance that certifiers are competent and independent in providing specified certification services. An accreditation body achieves this by examining and evaluating the certifier's organizational structure, practices and resources against published operational norms. Once a certifier is accredited, the accreditation body continues to monitor and, if necessary regulate, the activities of certification bodies within their area of competence. The FSC bases its evaluation of a certifier's organizational competency on adherence to the FSC Guidelines for Certifiers and the FSC's Principles and Criteria of Forest Stewardship (FSC (b), 1997). The main objectives of

accreditation are "to provide consistency among certifiers and standards, to ensure credibility of certification programs to the public, and to verify the integrity of a certifier's claims" (Ervin et. al., 1996).

Certification may take many forms from internal audits to third party independent certificates. In this regard, an accreditation program helps the public to differentiate claims. In terms of consistency, an international accreditation program such as the FSC's can ensure that certifiers will conduct their audits according to agreed Principles and Criteria world wide. An assessment in one country will be consistent with an assessment anywhere else. The credibility of certification claims to consumers is a second key issue. When standards involve exclusively technical issues it was relatively easy for industry to agree on credible standards. However, societal values are an inherent component of forest management and standards development processes need to involve a far larger range of stakeholders. Finally, ongoing monitoring and evaluation of a certifier's policies, procedures and practices are done to ensure competency and that a certifier applies consistent and rigorous evaluation procedures.

Additionally, the FSC requires certifiers to consult with local stakeholders and with local FSC initiatives that are developing standards for a given area (FSC (b) 1994). At present, there are several initiatives developing standards consistent with the FSC Principles and Criteria. While certifiers are currently using the Principles and Criteria to conduct their assessments, as regional or national standards are developed, certifiers will be required to use those standards as the basis for the assessment. These procedures ensure that "while the certification and accreditation decisions are based on global principles, they are grounded in local circumstances" (Ervin et.al., 1996).

National Initiatives Program

The main objective of the National Initiative Program is to "decentralize the work of the FSC and to encourage local participation" (FSC (a), 1997). The FSC is a fairly decentralized organization that encourages and promotes the establishment of FSC national or regional initiatives which are in line with FSC mission. In this way, it supports the development of national or regional standards within the global framework of the FSC's Principles and Criteria. The objective of this structure is to "have consistency in standards setting so that standards developed in different countries can be evaluated in the global context" (FSC (a), 1997). Otherwise, standards will not be consistent and will not be credible. By having local stakeholders involved in the standards development process, FSC is also assuring that local circumstances are taken into consideration.

The FSC organizational structure provides for the endorsement of national or regional initiatives as FSC Working Groups. To be recognized by the FSC as National or Regional Working Groups these initiatives must endorse the FSC Principles and Criteria for Forest Management, comply with a set of procedures, and have a certain organizational structure. The FSC Working Groups must have a composition similar in balance to the FSC Board of Directors (i.e. equal representation of environmental, social and economic interests). They must remain transparent and participatory in nature, allowing access to the process from any interested stakeholder groups. They must also have

clear grievance procedures established for both the working group as well as for any forest management standards or documents that are developed (FSC, (b) 1995).

As of September 1997, the FSC has about 200 members in 37 countries. Thirteen Contact Persons and two Working Groups (Sweden and U.K.) have been officially endorsed. There are about 20 FSC standards development processes worldwide and five accredited certification bodies. Over 3 million hectares have been certified under the FSC Certification Program. A breakdown of this area indicates that 1,064,917.7 million hectares have been certified in Northern countries and 2,275,630.4 million hectares in the Southern ones. These figures can be further broken down into forest categories (in hectares):

	Plantation	Natural	Semi-Natural/Mixed	Indigenous/Campesino
North	3,346.4	309,000	644,526.7 / 13,044.6	95,000
South	212,718	1,832,296	24,865	205,750.7

The FSC Canadian Initiative

In January 1996, a group of interested people created the Forest Stewardship Council (FSC) Canadian Initiative. At that meeting, an Interim Steering Committee was established. Its main activities include the facilitation and coordination of the writing of standards, promotion of the FSC, be the principle contact with the Canadian Standards Association (CSA) in discussions about standards and certification in Canada, and develop the structure of a Permanent Steering Committee. It was agreed that the Permanent Steering Committee would be selected by the FSC members in Canada with two representatives each of the social, environmental, economic and Aboriginal "houses". At this stage, the Canadian Initiative will submit an application for endorsement after the election of a Permanent Steering Committee by FSC members based in Canada, later this fall.

It was agreed that an organizational structure with a small National office and regional standard writing committees was most appropriate for Canada. The role of the National office is to give to the Canadian Initiative a strong distinctive voice at the international level, to coordinate and promote the establishment of regional groups in the different forest regions in Canada, and to ensure that the standard writing process, interpretation, public consultation and dispute resolution mechanisms are consistent across the country. The National office will consult with regional groups and will also seek input from other organizations (non-governmental organizations, government, industry, consumers' groups, etc.).

Three regional groups are already working towards the development of standards within the FSC framework. The Acadian Forest Regional Group has been established in April 1996. In its founding meeting in Truro, Nova Scotia, it selected a committee made up of 2 representative each from nine categories to carry on the process of drafting a standard for the Acadian region. The work for a first draft of standards has been completed and the standards were field tested last August. The standards will now be released for broader public consultation and it is expected that revisions will be incorporated over the winter.

In British Columbia, a Regional Group was established. The regional group has an Interim Steering Committee composed of FSC members based in the region and a Standards Writing Committee who started developing standards for British Columbia Coastal and Interior Forests. Ontario, is also working on establishing a Regional Group for the Great Lakes - St. Lawrence Forest region. A public information session was organized in April and another one on October 9, 1997.

The National office will take the lead in the development of standards for the Boreal forest across the country. While Boreal forests share many similar characteristics and are the most homogenous forest type, it is expected that a standard development committee will include regional representation as well as the environmental, social, economic and Aboriginal interests. The Boreal forest also represents a unique opportunity to develop standards that are consistent throughout the globe. At present the Scandinavian countries are developing standards for the Boreal and there is growing interest in the United States and Canada. The FSC Canadian Initiative will work with its counterparts in other Boreal regions to make standards in the Boreal forest consistent world wide.

Conclusion

The FSC's main functions are to accredit and evaluate certification bodies worldwide and to support the development of national and regional forest management standards and certification initiatives. Through its accreditation program, the FSC evaluates, accredits, and monitors forest product certifiers in order to ensure that marketplace claims carry a consistent and reliable set of values, as defined by clear principles and criteria. The National Initiatives Program decentralizes the work of the FSC and fosters local involvement in the development of national or regional standards.

The FSC's approach provides a system that is accountable to the various stakeholders in a region or country by involving them in an equitable and transparent standards development process while at the same time provides a framework for consistent world wide certification.
A complex process such as forest certification can only be successful if those who have a stake in forest management are involved. As well certification can not be imposed from outside without seeking the involvement of those who will be affected by forest standards. The FSC provides a framework that includes international agreed Principles and Criteria and local involvement at the standards development stage. Working groups are encouraged to have representation from both the general public and from those representing particular interests such as industry, environmental, social and Aboriginal groups, and others as it is appropriate to local situations.

The accreditation program ensures that certifiers are competent and that they will evaluate forest management operations consistently on a global scale. To take into account local ecological, social, and economic circumstances certifiers will be required, as they become available, to use FSC endorsed regionally or nationally agreed upon standards in their assessment. In this way, certifiers can assess forest management operations in the light of local values within a global framework.

The FSC system provides consumers with the opportunity to express their values through their purchasing habits. The key to the success of forest certification is credibility. "Ultimately, consumers will determine the credibility of an accreditation system according to how well the system represents their particular values" (Ervin et. al., 1996). The FSC process is transparent and inclusive. By involving local communities in the development of standards, and issuing a worldwide recognized label to well managed forests, and providing consumers with options the FSC's approach effectively links local ecological, social and cultural environments to the global responsibility for the health of the forests worldwide.

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Labelling Child Labor Products: A Study of Strategies Developed by the Abrinq Foundation[1]

By Benedito dos Santos (*)

Brazilian legislation prohibits any sort of work for children and adolescent under 14 years and it has special measures to protect working adolescents under 18 years. Although legally forbidden child labor was fully tolerated by state governments, the federal administration and society at large in Brazil until the mid-1980s. As of the 1990s, however, the objectives and strategies of social action in the field of child labor underwent changes, particularly among organizations of civil society, which began to focus more on actions to eradicate child labor and protect working adolescents, along with improving of the regular school system.

Among the new strategies registered was the mobilization of businesspersons through two sorts of campaigns: labelling child labor products and inserting social clauses in business and labor contracts. This paper aims to discuss the first strategy carried out by the Fundação Abrinq pelos Direitos da Criança (FADC).

A Brief Historical Background

The Abrinq Foundation was established on February 13, 1990, as a non-profit-making, private law foundation whose main goal was *to ensure respect for the rights of the child in compliance with national and international standards.*

The Abrinq Foundation was created in a paradoxical moment when on the one hand a series of episodes of violence against children, including the extermination of children, had been publicized by the mainstream media, and on the other hand the country was witnessing the emergence of a movement specifically in favor of children and adolescents as part of the redemocratization process and rearticulation of social movements for the first time in its history. Its emergence was also linked to the most progressive group of the business community that had already established an organization called "Pensamento Nacional das Bases Empresariais (National Philosophy of Core Corporate Sectors) which was committed to redemocratizing the country based on a new development standard and on "more human and social oriented" economic policies.

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Two other organisations played an important role in its creation: Associação Brasileira de Fabricantes de Brinquedo (Abrinq) (Brazilian Association of Toy Manufacturers) and the United Nations Children's Fund (UNICEF). In the second semester of 1989, a report entitled the "State of the World's Children – 1989" prepared by UNICEF reached out to the social sensitivity of the entrepreneur Oded Grajew, Abrinq's chairman. One the first results of his decision to act on behalf of children was the creation of a Board for the Defense of the Rights of the Child, aimed at mobilizing toy manufacturers to engage in actions in favor of children. A few months later, after valuable insight was learned from the experience Grajew recommended that a nucleus be set up as an independent Foundation.

The Abrinq Foundation has contributed to raising awareness and engaging a segment which had traditionally fought against the human rights struggle in actions on behalf children's rights. If in much of country's history the intervention of the segments of the business community had been characterized by a charity and philanthropic oriented philosophy, with the Abrinq Foundation, in addition to those traditional approaches new sorts of interventions have been taking place. It defines its mission as follows: *to make society aware of and committed to child issues, promoting the involvement of society and the business community in proposals for solving child-related problems through political actions in defence of their rights and through the dissemination and replication of exemplary actions.*

Initially established by the Association of Toy Manufacturers, to which it remained linked for some years, now the Abrinq Foundation's membership system is open to companies operating in a broad range of sectors in the economy and also natural persons can join. It has over 2,000 partners, including supporters and members. For the most part, it is maintained by its members, but it is also supported by grants from non-governmental organisations, Brazilian foundations, and international multilateral agencies such as the ILO and UNICEF.

The Child-Friendly Corporation Program

The Abrinq Foundation's Main Assumptions

- It is necessary to establish minimum ethical rules to govern a market that is ever more competitive and globalized;
- Consumers can "ascend to the status of citizens" and exercise their citizenship by improving the consumption patterns
- Organized consumer "citizens" can influence production policies and public polices. Consumers are demanding greater respect for their rights and are organizing themselves to guarantee them. In this context, even the selection

of products and services has become a mechanism for intervention in public and private sector policies. Consumer associations with a political outlook and NGOs fighting to defend the environment and human rights have realised that buying products from manufacturers who support social causes, or not buying products manufactured by companies that are doing nothing to benefit the community, can help to curb the violation of rights or to secure citizenship rights.

- Social marketing is becoming increasingly important as a distinctive element in a highly specialized and competitive market.

The Abrinq Foundation's decision to adopt the "Child-Friendly Corporation" seal as a strategy to eliminate child labor and protect working adolescents resulted from a combination of different factors: its business-oriented and programatic approach; its commitment and experience; and, a good suggestion – the idea of using a seal to identify products manufactured without using child labor came out during a debate on alternatives for eradicating child labor which was held when the book "Crianças de Fibra" (Brave Children) was launched.

According to Oded Grajew the actions of Greenpeace inspired the Abrinq Foundation to adopt this strategy. Its "Child-Friendly Corporation" seal is a sort of "ISO 9000" to be used in diverse modes by companies, including in their products and advertising campaigns. The Abrinq Foundation pioneered this effort and adapted it to the Brazilian scenario where the seal gained its specificities: it is awarded to corporations and not to products.

The Program Goals

The "Child-Friendly Corporation" Program was created in 1995 with two central objectives:

- to encourage the commitment of businesspersons not to hire child labor or not to accept products and services that utilized child labor in the productive chain; and
- to augment the level of support on the part of companies with action in favor of children – particularly programs to ensure the return, attendance, and success of children at school -- and to protect working adolescents, with emphasis on professional training.

Three basic strategies were defined in order to implement the first objective:

- The creation of the "Child-Friendly Corporation" seal;
- a campaign towards including social clauses of non-acceptance of products and services that utilized child labor in commercial contracts of purchase and sale of services and of labor, in transactions carried out both in private initiative and between the State and suppliers;
- action to strengthen the normative and inspection capacity of the organizations of the State and of civil society.

In reference to implementing the second objective – to contribute to an increase in participation of the companies in support or development of the social programs directed towards children – the strategies are:

- The creation of an exchange network among companies and the organizations engaged in the subject;
- The establishment of a data base with information both diagnostic of the situation and as to interventions carried out;
- The elaboration of "menus" for action on the part of government and non-government organizations with a view to eradicating child labor and protecting working adolescents, to be offered to entrepreneurs interested in investing technical material, and financial resources in social programs directed at children and teen-agers.

A campaign with the media was also developed as a strategy for implementing both objectives of the project and for mobilizing public opinion with intent to produce changes in the concept concerning child labor.

The Selection Process

What follows is the description of the criteria for both the diploma and use of the "Child-Friendly Corporation" seal as well as the process established by the Abrinq Foundation for selecting new participants in the Program. They are a direct translation of my previous work *Mobilizing Corporations to Eradicate Child Labor in Brazil*...

The criteria consists of:

- Taking on a formal commitment not to hire children under the age of 14, which according to Brazilian law is the minimun age for engaging in professional activities;
- Publicizing this commitment throughout their network of suppliers and customers;
- Developing or supporting a social program for children or a professional training program for adolescents.

The selection process is carried out as follows:

- The telemarketing bureau (a desk set up to receive applications to the Program) receives representatives of companies interested in learning details of the Program and informs them of the requirements for becoming participants;
- Next, the Program team sends a batch of informative material to the applicant called "Child-Friendly Corporation Kit," which consists of : 1) the "Do Something for Our Children" pamphlet, describing the objectives of the Program and providing suggestions for companies not engaged in actions in favor of children but wishing to become a "Children-Friendly Corporation"; 2) a letter of commitment; and 3) a list of the documents required to confirm whether the company has met the above-mentioned criteria;
- If the company satisfies the requirements, it signs the letter of commitment and sends it to the Abrinq Foundation, together with documents confirming its action in favor of children or adolescents. These documents include projects, reports of activities, newsletter articles, donation receipts, etc. This material is then organised in a specific file;

- Once these documents have been received, the credibility and consistency of the actions undertaken by the applicant in favor of children and adolescents are checked. To this end, a Program team consults the Foundation's network of partners: unions, non-governmental organisations, fora in defense of children's rights, public agencies and other specific bodies, such as the councils for children's rights;
- Once a decision is made, the company is immediately informed. If its application is approved, it receives, as part of the letter of acceptance, a copy of the "Child-Friendly Corporation" seal;
- Finally, a public diploma-awarding ceremony is held as an important part of the process. Authorities, celebrities, and media are invited to make the new adhesion to the Program as visible as possible. The ceremonies are organized strictly at the convenience of the Abrinq Foundation and of the companies receiving the diploma. Usually, data or facts which can further the interests of children are taken advantage of, or else companies are grouped according to their geographical proximity.
- The seal is valid for one year. Companies can renew the license to use it by reaffirming their commitments, and this is only done after their actions are rechecked according to the above-mentioned criteria.

How the Decision Is Made:

The Abrinq Foundation's organizational structure consists of an an Administrative Council – basically composed of entrepreneurs -- which elects a Board of Directors from among members to carry out the deliberations in the Members' Assembly. The Foundation also has a General Consultative Council made up of experts in diverse areas related to the promotion and defence of children's rights and a Fiscal Council elected from among members. At the operational level each of its major Programs also has a specific Consultative Council.

The decision making process to which corporations are awarded the seal is the following: a) first the "Children-Friendly Corporation" Program secretariat checks that all bureaucratic requirements have been met; b) then the Consultative Council for the Program is heard and makes its recommendation to the Administrative Council which makes the final decision; c) in case of doubt the latter can also listen to the General Consultative Council.

The Main Achievements

During the first year of the Program, 264 companies were authorized to use the seal, including agro-industrial, industrial, commercial, service, financial, joint stock and state-owned corporations and airports. The first seal was awarded to CESP, Companhia Energetica de São Paulo, an electricity utility. The only application that was turned down was that of Companhia Brasileira de Petróleo (Petrobras) because it buys alcohol from mills hiring child labor.

Visibility. Companies use the seal in different ways. They often have it printed it in their national and international correspondence; in advertising campaign items (both on their products and in the media); in newspapers, magazines,

newsletters, and institutional documents describing their activities. For example, the Paratodos bus company has given the seal high visibility by showing it on all of its buses.

The corporations' point of view. The seal's importance according to the corporations:

- The seal represents recognition, a sort of "prize" which enhances opportunities to disseminate corporate programs. In this sense, the seal is requested as a means of legitimizing, socializing and disseminating corporate interventions in defense of the rights of children and adolescents;
- The seal can improve the image of some corporations whose activities tend to be criticized by certain social sectors. However, these reasons are also underlying a discourse of social purposes of the companies;
- Some companies see the seal as a positive distinctive reference for the future and are preparing ready to please more demanding consumers.

For them the main result attained until now has been increasing the awareness of the child labor issue and the mobilization of new partners to implement social programs in favor of children and adolescents. Many corporations have been providing their staff with information on the Campaign and have been holding meetings on the subject with their suppliers and clients. In this sense for some businesspersons the campaign has been stimulating the companies to accomplish their social functions.

Although some companies have not been able to quantify the benefits derived from the program up to the present moment, they say that using the seal has brought social and commercial advantages. They believe that companies which support social activities add value to their products.

The Abrinq Foundation's Point of View. According to the Abrinq Foundation, the "Child-Friendly Corporation" Program has been successfully implemented. The main achievements are:

- Visibility and inclusion of the child labor issue on the agenda of social actions;
- Mobilization and social organization to put an end to child labor;
- Contributing to the formulation and implementation of policies to eradicate child labor:

The corporations have developed diverse sorts of actions such as adopting or constructing schools or daycare centers; supporting the development of activities supplementary to the school, professional or teenage training; support to the establishment and investment of funds for children's and teenagers' rights associated with the councils of rights, and technical-financial cooperation with organizations for the defense of children's rights are the types of action developed by these companies, some of which possess foundations that directly carry out educational or sports assistance, or professional training activities.

- Contributing to ensuring, implementing, and inspecting the rights of children and adolescents;

- Contributing to furthering knowledge on child labor in Brazil and to fighting it, including new strategies to eradicate child labor and also a new methodology for mobilizing the business community.

Challenges and Prospects

One of the main challenges facing the strategies adopted by the Abrinq Foundation is to strike a balance between the need to expand its intervention – so as to produce the desired political impact – and to ensure the quality of the services it has been providing to the nation.

The effectiveness of the seal basically depends on the *credibility* of the institution awarding the seal and on the *singularity* of the company which is receives it. This relationship between credibility and singularity is directly related to the monitoring process of the program. In other words, the effectiveness depends on the capacity of the awarding body to check, monitor, and assess its use.

Developing and implementing a monitoring process has been a difficult task. Awarding the seal to many companies causes logistical problems to the Abrinq Foundation: at this moment, the basis on which to confirm whether the applicants fulfil all the criteria is preferably through on-site visits. This process is already difficult enough for new companies applying for the "Child-Friendly Corporation Program," as well as for requests for renewing the seal, which are made at different periods of the year. The geographical dimensions of the country cause increases to its operational cost so that before the infrastructure of the Program can be expanded (which would be the most sensible solution to the above-mentioned difficulties); a cost-benefit analysis must be carried out. On the other hand evaluating cost-benefits it is not a simple task because indicators and methodologies have not yet been consolidated.

Furthermore, the Program's expansion can pose questions to the issue of the *singularity* of the companies which are awarded the seal: Wouldn't a massive distribution of the seal diminish the seal's uniqueness? Nevertheless, the social practice has shown that new paths and new alternatives and solutions can be found: the emergence of new actors willing to share the strategy would facilitate the certification, monitoring, and assessment process, and the specialization of new kinds of seals would prevent the seal from becoming another "fad" thus making it possible for a single company to be awarded different seals for distinct actions.

Some segments of the academy and social of movements despite the fact that business persons' mobilization is rewarded have been sceptical. They have two basic doubts: the first relates to the following question: are companies taking advantage of the social marketing benefits provided by the Program more than actually investing in actions to improve the living conditions of marginalized children? In the study that I conducted the question "what percent of your budget is spent on social programs?" was never answered. The second is related to views on the roles of government and the implementation of social policies for children. The question is the following: Would the "adoption" of schools or education and social assistance to a certain extent relieve the government from its obligation to fund and implement social programs? The entrepreneurs alleged that the social impact of their actions is more effective for social changes than the amount of money invested and that their actions should only have the effect of "demonstrating," encouraging similar initiatives and the partnership with the government. Not many people from the social movement believe in the "human face" of capitalism and still think that in the end capitalists only want to make a profit.

Finally, it should be stressed that this confrontation of ideas far from stagnating the process, makes it more dynamic. At least this parcel of corporations and those members of academy and social movements have a common belief: "children are supposed to be studying, not working."

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[1] This paper is based on my work *Mobilizing Corporations to Eradicate Child Labour in Brazil: A study of Strategies Developed by the Abrinq Foundation for Children's Rights* published by UNICEF/The Abrinq Foundation, in December 1996.

Notes for a Learning Circle Presentation on Fair TradeMark Canada

Bob Thomson, Managing Director, Fair TradeMark Canada

1. Background

The basic assumption underlying the promotion of fair trade labels is a desire to increase the sales of disadvantaged producers in northern markets.

Fair trade labels are based on several market assumptions:

- 60-80% of consumers say they'll pay more for a 'fair' or 'green' product

- When offered the opportunity, only 1-5% actually make a purchase at a slightly higher price. This 1-5% represents the potential fair trade market that the label is designed to capture for small farmers.

- This 1-5% 'niche' has further conditions attached:
  - The product must be of equal or higher quality, e.g.,. people will buy a coffee out of solidarity once, but not again unless it is good coffee
  - It must be easily available (ie. in local supermarkets, not single location or scattered specialty shops)
  - Marketing claims must be independently certified since consumers are sceptical of corporate claims.

Existing alternative trading organization's (ATO) sales do not come close to realizing this potential 1-5% market share. Working capital and distribution outlets for ATOs are very limited. For example, 1% of the Canadian coffee market is 1 million kilos of coffee per year. Bridgehead coffee sales are less than 29,000 kilos per year! Thus we would need to form 35 Bridgehead type ATO companies to fulfil the market potential for fairly traded coffee in Canada.

Fair trade labels were designed to mobilize the working capital, business expertise and distribution networks of commercial companies to reach the full potential of fair trade markets, generating significantly higher incomes for small farmers.

Despite the above mentioned limitations, fair trade coffee sales have been increased tenfold in Europe over pre-label ATO sales in 1988.

History

Fair trade

Fair or alternative trade began in the 1950's as northern NGOs began to sell some of their project partner's products in their home markets. A Dutch NGO, SOS Wereldhandel was formed in 1959 and began to send milk powder to Sicily, eventually becoming Fair Trade Organisatie, the main wholesaler to a network of some 350 Dutch world shops and $30 million a year in sales.

Fair Trade Labels

The first fair trade label, Max Havelaar Netherlands (MH-NL) was initiated in 1988 in response to the lack of direct access by small coffee growers in Mexico to international coffee markets.

The International Coffee Organization (ICO) marketing system at that time required that producers have export quota certificates in order to sell coffee. These certificates were held largely by large producers, state agencies and intermediaries who had little interest in helping small coffee farmers get more money for their product.

The collapse of the ICO managed market in 1988, with the subsequent decline of world prices from around US$1.30 per pound of green coffee beans to US$0.70/lb. (and eventually below even US$0.60/lb.), created a crisis for most small coffee growers since their cost of production according to ICO data was around US$1.10 or more.

Dutch NGOs working with small coffee growers and their co-operative representatives in Latin America switched their efforts from advocacy for access to export certificates for the co-ops to new market mechanisms which would benefit them directly. At one point, the development of a Dutch NGO coalition coffee brand was considered, but circumstances resulted in a fair trade label being promoted instead.

The label was instantly successful and moved Dutch 'alternative' trade coffee sales from less than 0.3% of Dutch coffee consumption in 1988, to around 2.4% today, a difference of over US$19 million over 9 years. In addition, through the elimination of intermediaries, even more of the regular world coffee price reached the farmers, as their co-operative organizations learned how to export coffee directly, giving many of them significant empowerment in the marketplace.

Reviewing the success of the Max Havelaar label, the European Fair Trade Association (EFTA), a federation of eleven ATOs based in nine countries, began discussing the development of a label which would cover coffee as well as other products in the whole of Europe. Max Havelaar participated in these discussions but were not initially interested in expanding their efforts beyond coffee or beyond the Dutch market. Since EFTA consisted of 11 ATOs in 9 countries, the dance of the dialectic around criteria for a multi-product, multi-national label was complex and prolonged.

Around 1991, a large Swiss co-operative supermarket chain decided to introduce a fair trade label for coffee based on the success of Max Havelaar in Holland. Swiss ATOs and NGOs, to prevent the development of a "commercial" fair trade label, moved quickly to form an independent fair trade label and essentially copied the Max Havelaar name and concept from Holland, since EFTA's discussions on a pan-European label were not at a point where that option could be quickly implemented.

In 1992, the EFTA discussions resulted in the launch of the TransFair International fair trade label in Germany, the largest national initiative with respect to licensed sales. In addition to the Dutch and German labels, national initiatives with the Max Havelaar name were started in Belgium, France and Denmark, while TransFair now includes Austria, Italy, Luxembourg, Japan, Canada and the USA. The Fairtrade Foundation also began in the UK and more recently, label organizations have sprung up in Sweden, Ireland and Finland.

Discussions began in mid-1995 to form an overarching coordinating body to improve communications and effectiveness in the shared multi-commodity Registers (coffee, tea, cocoa, sugar, honey and bananas), both with respect to criteria development and to monitoring and verification. In April 1997, Fairtrade Labelling Organization International (FLO) was formed and opened its own office in Bonn in January 1998.

This was a difficult process since each of the national initiatives is a coalition of national NGOs, ATOs, churches, labour organizations, etc. which represents a national social/political base able to independently certify that conditions of fairness are being met. Each organization is the product of its own national market and constellation of national actors: ATOs and World shop networks, donors, leading personalities, etc. To this complex mix, one has to add the history of the Second World War, differences between ATOs, NGOs and Southern partners backed by European social democratic and/or Christian democratic organizations or by Catholic and/or Protestant churches, strong personalities (mostly male egos I'm afraid), and by now, very significant invested interests (millions of dollars) in national market recognition of national label names.

This history of 'ideological' and personality clashes and national 'cultural' differences carried over into the debate over the structure and focus of FLO, at the same time as the growth of shared work in the product Register committees strengthened everyone's shared commitment to working together.

Like coalition work everywhere, the process is uneven and difficult, as a host of complex actors negotiate the definition of core work which will increase their effectiveness, while maintaining the identity of each participant.

2. Governance

TransFair

The TransFair logo is owned by TransFair International and its use is licensed to national members which have the authority to in turn license its use in their national markets. TransFair offers a sort of national 'franchise' to its members in return for a share of license revenues (one third) to cover central costs for monitoring, coordination and promotion.

Each TransFair member or affiliate is a coalition of national NGOs, ATOs, churches, labour organizations, etc. which represents a national social/political base able to independently certify that conditions of fairness are being met, within the framework of TransFair's overall product criteria. A TransFair Council of Members meets twice a year to set overall policy and an Executive Board meets three to four times a year between Council meetings. Members with licensed sales have equal votes at Council meetings.

FLO International

FLO's governance structure is a modified form of TransFair's, with votes based on a 5-3-1 weighting system according to the sales volumes of the larger, medium and smaller national initiatives.

Product Registers

Product Register Committees meet three or four times a year to deal with new Register applications, modifications to criteria and oversight of the monitoring work of FLO Register staff and consultants. The Committees are made up of members appointed by the FLO Meeting of Members and include at least one outside independent expert for the commodity in question (coffee, tea, cocoa, sugar, honey, bananas and frozen orange juice concentrate).

Each product register is responsible for the monitoring of importer licence agreements and import contracts for all FLO members. National label initiatives are responsible for monitoring and auditing sales from licensed importers to licensed roasters and/or retailers in their markets.

Product Register staff are also responsible for monitoring the democratic "credentials" of producer groups on their Register to ensure that producers themselves control the benefits received from fair trade conditions.

National Initiatives

As noted above, each FLO member or affiliate is a coalition of national NGOs, ATOs, churches, labour organizations, etc. which represents a national social/political base able to independently certify that conditions of fairness are being met.

Fair TradeMark Canada is a registered with Industry Canada as a "corporation without share capital", the normal status of non-profit corporations in Canada. However, we do not have, and do not intend to apply for, charitable status, the normal legal form of NGOs in Canada. Our membership currently consists of: Inter Pares, CUSO, the Canadian Autoworkers Social Justice Fund, the Steelworkers Humanity Fund, World Vision of Canada, the Canadian Catholic Organization for Development and Peace, Horizons of Friendship, the United Church of Canada, the Christian Reformed World Relief Committee, Ten Days for Global Justice, Oxfam-Canada and a number of individual supporters.

We have a Board of four and a staff of one and are in the process of hiring one more staff person.

We signed a Co-operation Agreement with TransFair International in 1995 and joined FLO as a founding member in April 1997.

3. Criteria

Fair trade criteria touch on four primary elements: democratically organized producers, price, terms of credit and a commitment to long-term trade relations. The attached table shows the details of some of these criteria for the main FLO licensed commodities.

Producers

Importers and retailers must purchase fair trade commodities from democratically organized, representative bodies of disadvantaged producers.

In the case of coffee, there are some 340 marketing co-ops on the FLO fair trade coffee Register, representing about 500,000 small family farmers, ie. farmers who do not use outside labour, except perhaps at harvest time when they might pay a neighbour or relative to help. For tea, there are 36 estates which have either a union or worker controlled committee which determines the distribution of fair trade benefits.

Price

A minimum or floor price exists for all FLO labelled commodities, as well as a premium above the world market price if it is higher than the minimum fair trade price. These minimum prices have been determined on the basis of efficient production costs for small producers in consultation with importers, international commodity bodies and the producers themselves.

Organic production, if sold as certified organic produce, generates a further premium above the minimum or fair trade price.

Credit

The roots of most of the exploitation of coffee farmers lie in informal local credit systems in Latin America and Africa. Local buyers, who control access to credit, loan a portion of the price of coffee to farmers in advance of the annual harvest, but charge exorbitant rates of interest for this service. Even banks in most areas charge small producers high rates for the credit they need to buy necessities such as medicines, clothing, school books and even food between harvests. In addition, availability of credit and technical assistance is often predicated on farmers adopting agricultural practices which increase yields through the use of new plant varieties, which need chemical fertilizers and pesticides, further increasing the need for credit. Worse, these supplies are often only available from the very buyer or lender who also dominates local consumer goods and farm input distribution.

In the case of coffee, fair trade licensed importers are required to provide loans for up to 60% of the purchase contract if requested by the producer group. In practice, this makes credit available at the European or North American cost of money, not the village level cost, which can range from 30% up to 200% per year! These loans are negotiated directly between the producers and the fair trade importer at mutually agreed rates of interest which can be repaid in coffee or cash.

Long-term trade relations

Fair trade importers are required to sign a letter of intent to purchase commodities for more than one crop cycle, permitting a degree of stability in trade relations and allowing producers to plan ahead for future investments based on relatively secure markets.

4. Monitoring

Importing

Upon the signature of a purchase contract, fair trade importers advise the appropriate FLO Register of the Register supplier's name and the date, volume, price and quality of commodity purchased. This contract information is verified by Register staff directly with the producers and proof of the transfer of funds is provided through copies of shipping documents and/or bank statements.

Roasters/Retailers

Each national label initiative in FLO is responsible for monitoring the flow of coffee to their national licensees from registered fair trade importers and for reporting these flows to the FLO Register office.

Licence agreements give each national initiative the right to inspect the books of licensees, including the undertaking of special audits of financial and inventory records by fair trade

appointed auditors. Normally, licensees have their own professional auditors produce special statements on quantities of fair trade coffee, tea, etc. purchased, packaged and sold and separate audits are required only if discrepancies are suspected. Special audits are financed from the licence fees charged by each FLO national initiative.

Quarterly reports from licensees based on actual sales are forwarded to FLO by each national initiative to permit the calculation of licence fees and the tracking and matching of flows from producers to importers to licensees. Obviously a degree of trust in involved in this monitoring process, but it is unlikely, given the legal safeguards built into the process that a reputable commercial company or their auditors would risk their business reputations by submitting false reports. A number of licensees have been struck from the Register and/or national licences have been cancelled as a result of monitoring carried out through this legal framework.

Producers

FLO Register staff and local consultants monitor general membership meeting minutes and annual financial reports and actually attend some meetings to ensure that members do control decisions made about the distribution of fair trade benefits. Databases of producer group information are maintained by FLO, together with commodity contract transaction/sales data.

Detailed questionnaires are provided to groups applying to join FLO Registers and staff or consultants visit applicants to verify this information prior to submission of applications to the Register Committee for approval.

Export quality commodity samples are also required to ensure that each group is capable of meeting the requirements of importers and retailers. An appeal process is available for applicants which are not accepted.

5. Discussion/Evaluation

System effectiveness

The current system appears to be working well, although I have to admit that we have not had sufficient licensed sales volume in Canada to truly evaluate how the auditing and monitoring of flows works.

Several years ago, there were differences between TransFair International and Max Havelaar Netherlands over the structure and completeness of the producer and transaction databases used to track and verify compliance. This was the product of some interesting differences in style and approach which highlight the complexities of these processes. Despite the much vaunted unity of the European Community, there are many, many national differences and much suspicion of any overarching body which reduces national freedom of action. This applies at the NGO/ATO level as well as with national governments, social organizations, etc.

The Dutch, having started their project as an extension of solidarity work with specific coffee co-ops, see things from the perspective of partnership. The Germans also represent NGOs and other development community organizations which act in the interests of their Third World partners, but in a very different market which is dominated by cut-throat competition from Phillip Morris (General Foods/Kraftco). As fair trade label sales have exploded, taking market share from the transnationals, the need for professionalism and highly organized monitoring of the criteria and conditions of fairness have become more and more important.

To some, this is was a signal that partnership was taking second place to contracts and databases. It is however, one thing to be in partnership with a few coffee co-ops in one or two countries and quite another to certify fair trade transactions between some 340 registered coffee producer organizations representing hundreds of thousands of growers, dozens of commercial importers and over a hundred coffee roasters and supermarket chains.

This type of difference over technical questions became even more serious when it came down to the negotiation of the structure of FLO between 15 national label initiatives. The tensions between Max Havelaar and TransFair manifested themselves in a reluctance by Max Havelaar Netherlands to give up control of the Coffee Register by virtue of its location in their offices in Utrecht. This was couched in terms of the Dutch national initiative wanting to maintain close relations and therefore information about producers for their own market promotion through the sharing of monitoring work - a valid concern, but one which has also been mixed with the issue of control. There was/is also the question of what to do about the Dutch staff who do not wish to move to the new FLO Coordination office in Bonn, and the need to not disrupt the work of the Register through changes in staff.

Recent coffee supply problems

World coffee prices swung wildly in 1997, beginning near US$1.80/lb and rising to $3.00 in June before dropping to $1.60 at year end. Prices rose to $1.50 in mid 1994 after 6 years of disastrous lows of $0.60/lb between 1988 and 1994. The comparable fair trade minimum price is US$1.26/lb.

Higher prices actually brought several problems for small farmers in 1997. One was the perception that with higher prices, farmers are now well off, despite six years when prices didn't even cover half their costs. During these 6 years, degradation of their lives and farms was enormous, as witnessed, in part, by the 1994 Zapatista uprising in Chiapas, Mexico and continued in the form of military oppression today.

In addition to this mistaken sense of well being, higher prices also mean greater competition for coffee beans between the farmers' own marketing co-ops and local buyers. One farmer told me in March that, while his Co-op paid 26 Pesos a kilos for his coffee and coyotes only 24 Pesos, the Co-op only paid 19 Pesos on delivery and the remaining 7 when the coffee was exported months later. He sold to the coyotes because he needed the money right away and the Co-op didn't have

the working capital to pay up front.

The fair trade coffee register lists 340+ co-ops with half a million members in Latin America and Africa. These farmers can produce 250,000 metric tonnes of coffee, of which their co-ops could only afford to purchase 85,000 m.t. in 1996 and of which 12,000 m.t. sold on the fair trade market.

Since their co-ops have working capital to purchase only a fraction of their member's coffee, especially when prices are high, desperately poor farmers cannot afford to turn down offers from 'coyotes' to support their own co-ops. Lack of credit at competitive rates is a major source of exploitation since the coyotes' rates of interest range from 30% to 200%!

Within the registered Co-ops, there is a wide range of operational capacities. Many have been able to invest a portion of their fair trade premiums in quality control and administrative capacity, educating members in the skills needed to trade internationally by themselves. Independent of intermediaries, they know the real value of their coffee and capture a larger percent of the world price for their members, even in the regular market without fair trade conditions.

Some smaller and less experienced Co-ops are still developing their capacities and need assistance if they are to be reliable trading partners. Credit is the most important element of fair trade, especially when world prices are above the fair trade minimum. But commercial importers are reluctant to pre-finance coffee from Co-ops with no credit history, so unequal access to fair trade markets is a problem. To this end, FLO and a number of churches and NGOs with fair trade experience are building a support network of micro credit funds and loan guarantee facilities, as well as technical and administrative support services for the weaker Co-ops on the Register. These efforts are meant to complement their own investment and educational efforts.

Development isn't a black and white process and there were problems with a few Co-ops in 1997. They couldn't collect enough coffee from members at higher world prices to meet contractual obligations and a few defaulted on fair trade pre-financed loans. Three groups have been removed from the Register and one suspended this year since they were not reliable trade partners. The majority have survived, but with difficulty, showing the importance of long term education and an integrated approach which supports fair trade in good as well as bad times.

Impact/Evaluation

Most reviews of the impact of fair trade labels are anecdotal, rather than quantitative.

However, a table prepared by Max Havelaar Netherlands shows that over the period from 1988 to 1997, the Dutch label generated an extra US$19.9 million for producers over the regular market on sales of US$66.3 million. Most of this surplus, US$15.8 million, was generated in the period from 1988 to 1993 when the fair trade minimum price was in effect and world prices were as low as US$0.436/lb for Robustas and US$0.636/lb for Arabicas.

These fair trade premiums, in addition to generating higher incomes for small farmers, were also partly invested in co-op and community infrastructure and education which had an impact which has not been systematically quantified.

Many farmers however, have noted that the 5% of their coffee sold in fair trade markets has an impact well beyond the extra income from fair trade.

For example, just publishing the New York price on a regular basis in a village forces local buyers to pay a price closer to the market price. The availability of fair trade credit for at least a part of their production allows farmers to wait for better prices, rather than being beholden to intermediaries who monopolized credit.

Before their direct involvement in fair trade markets and the purchase of fax machines (and in some cases computers with modems) using fair trade premiums, farmers were not aware of the value of their coffee and accepted the word of local buyers as to the market price and the actual quality of their beans. Even non co-op members benefit from this spin-off from the publication of actual prices.

Similarly, co-op export grading infrastructure brought in because of direct fair trade relations gives farmers an appreciation of the actual technical quality of their beans, again preventing intermediaries from undervaluing their quality and therefore quality differentials. A number of organizations connected to national label initiatives have begun to develop terms of reference for just such an evaluation. In addition, innumerable students have written or are writing term papers and theses on fair trade labels which provide an abundance of partial and/or anecdotal information through their interviews with producers and other participants.

6. Conclusions

While a full evaluation of fair trade labels has yet to be done, there is some evidence that the overall impact has been beneficial, although not without complications, some of which are outlined above.

As with any other mechanism which promotes corporate social responsibility or the transfer of resources to disadvantaged producers (two admittedly different objectives), fair trade labels should be evaluated in ways which permit the measurement and comparison of complex forces and allow an appraisal of whether overall progress is being achieved, despite movements which are both forward and backward at regular (or irregular) intervals.

Any evaluation of labels or codes of conduct or must look primarily at the two main issues: the setting of criteria or standards, and the monitoring of compliance with these criteria or standards,

In any given industry or area, there is a wide range of criteria which could be applied, from "watered down best practices" through to "utopian impractical rhetoric". Similarly, monitoring

can be done in ways which range from "self serving internal monitoring" through to "rigorously independent community monitoring" of compliance. In particular, there is a need for independent monitors who can bridge the gap between the expensive management consultants used by industry, who aren't generally trusted by NGOs, and human rights advocates, unions and NGOs, who aren't traditionally trusted by the business sector.

Last year, a number of Canadian companies proposed a Canadian code of conduct for international business with encouragement from Lloyd Axworthy. Canadian Business for Social Responsibility, the International Centre for Human Rights & Democratic Development, EthicScan, the Wearfair Coalition, the Social Investment Organization, Rugmark Canada, the Task Force on the Churches and Corporate Responsibility, Fair TradeMark Canada and others are involved in many ways of looking at corporate social responsibility, ranging from charitable donations to codes of conduct to independently monitored labels.

There is a growing "business ethics" community in both corporate and NGO sectors. There is however, almost no co-ordination, and even signs of a growing element of competition for consulting contracts, in the race to prove responsiveness to growing consumer demands.

Each mechanism, codes or labels, has its strengths and weaknesses and may or may not be more or less appropriate, depending on the product, company and many other circumstances. Experience has shown that, while many companies sincerely wish to do good while doing business, some merely wish to buy time through lip service and resist effective reforms.

A national forum could provide a framework within which all the competing schemes could be placed and allow consumers an informed means of making choices based on those which are closest to their own preferences. One model with possible lessons for a Canadian approach is the UK based Ethical Trading Initiative which is described in a document circulated before the last Learning Circle meeting in Ottawa on February 9th.